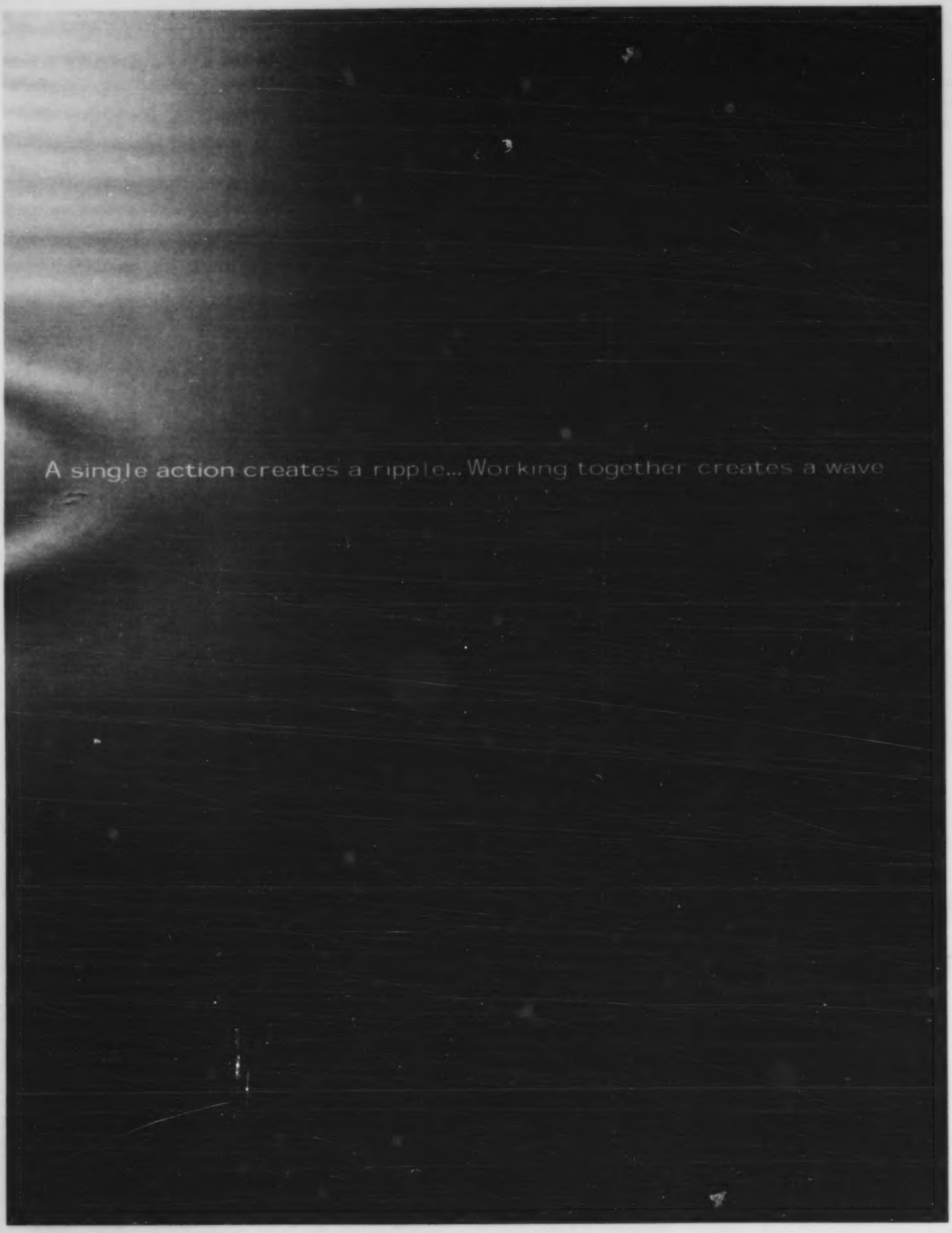
2007 Annual Report and 2008–2010 Service Plan


A single action creates a ripple... Working together creates a wave

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Strategic Foundations of WorkSafeBC

Our mandate

Workers' compensation in B.C. is founded on the principle of mutual protection. This principle arose from a historic compromise in which workers relinquished their right to sue their employers and, in exchange, employers agreed to fund a no-fault insurance system.

The British Columbia *Workers Compensation Act* enshrined this historic compromise and created WorkSafeBC (the Workers' Compensation Board of British Columbia). WorkSafeBC is an independent agency governed by a Board of Directors appointed by government. It is WorkSafeBC's mandate to work with workers and employers to:

- Promote the prevention of workplace injury, illness, and disease
- Rehabilitate those who are injured and assist with timely return to work
- Provide fair compensation to replace lost wages for injured workers during their recovery
- Ensure sound financial management for a viable workers' compensation system

Our vision

Workers and workplaces safe and secure from injury, illness, and disease.

Our commitment

To make a difference, one human being at a time.

Our mission

To add value for workers and employers by:

- Assisting them to create a culture of health and safety in the workplace
- Delivering quality decisions and advice
- Providing compassionate and supportive service
- Ensuring solid financial stewardship, now and in the future

Our guiding principles and premises

We, the officers and agents of WorkSafeBC, believe that:

- We must focus on our mandate, which includes prevention, rehabilitation, and compensation.
- We must promote healthy and safe workplaces through enforcement, consultation, and education.
- We can be most effective when we enlist the co-operation of workers and employers in preventing workplace injury, illness, disease, and death.
- Societal change is essential for creating a culture of health and safety in the workplace, and we play a principal role in effecting this change.
- When a worker is injured, our priority must be that worker's rehabilitation and return to work.
- We must be driven by a service orientation that is attained through the effective delivery of WorkSafeBC programs and services. In doing so, we are dedicated to empowering our front-line staff through support and ongoing development and training opportunities.
- We must preserve the financial integrity and stability of the system.
- We must add value to the workers' compensation system and be an asset to our stakeholders and to the province of British Columbia.
- We must remain sensitive to the strategic priorities and comply with the legislated directions of the B.C. government.

To fulfill its mandate, WorkSafeBC is enabled by:

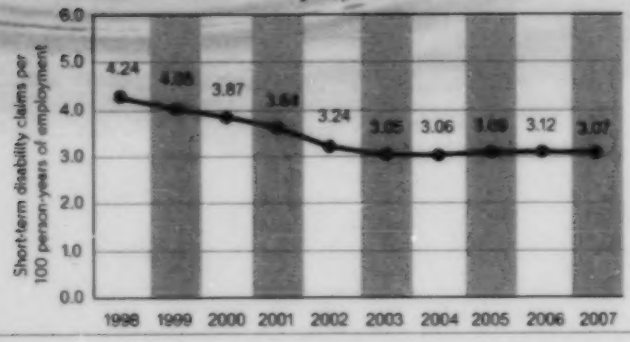
- Transparent and accountable policies and regulations that define the type and amounts of compensation paid to injured workers, prescribe occupational health and safety standards, and determine how the system is funded and administered
- A full range of programs that meet the individual prevention, compensation, assessment, and rehabilitation needs of stakeholders
- Professional, compassionate, and highly trained people working together to deliver quality service
- Effective and efficient processes that ensure quality and service excellence and eliminate bureaucracy
- Innovative and responsive services designed to meet the individual needs of stakeholders throughout the system

Our service

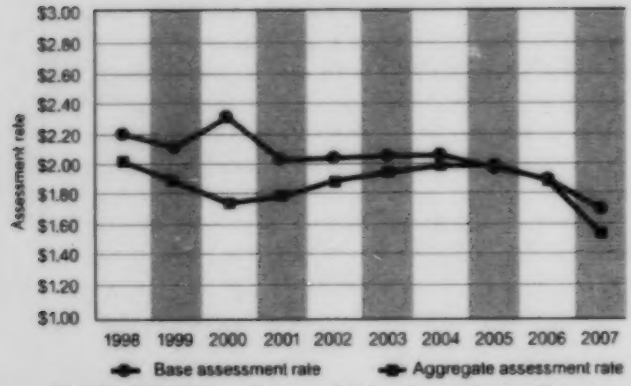
WorkSafeBC is an independent statutory agency that serves 2.3 million workers and approximately 190,000 employers throughout B.C. It is funded through insurance premiums paid by registered employers and through investment returns. In administering the *Workers Compensation Act*, WorkSafeBC remains separate and distinct from government; however, WorkSafeBC is accountable to the public through the provincial government, which is responsible for protecting and maintaining the overall well-being of the workers' compensation system.

Operational Highlights

Injury rate

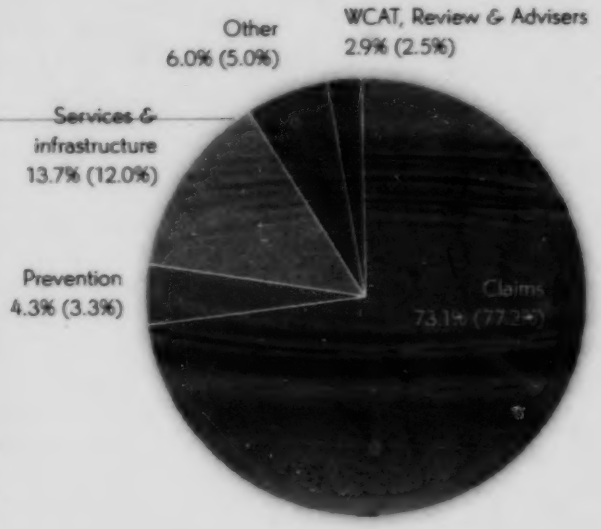


Assessment rate



Note: For 2007, rates are the lowest they have been in the last 30 years.

Allocation of 2007 expenses (2006)

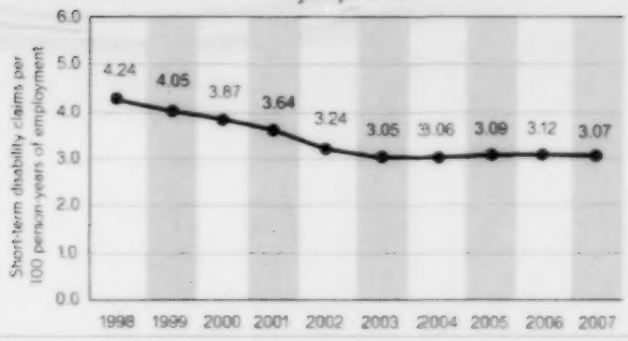


($ millions)	2007 actual (fair value)	2006 actual (fair value)	2007 actual (smoothed)	2006 actual (smoothed)
Premium income	1,082	1,267	1,082	1,267
Investment income	1,103	1,187	1,015	871
Claim costs[2]	1,116	1,125	1,116	1,125
Operating costs (net[3])	161	148	161	148
Surplus before non-recurring expenses	908	1,181	820	865
Non-recurring expenses[4]	37	185	37	185
Surplus from operations	871	996	783	680
Unrealized market value gains (other comprehensive income)	(621)	(25)	—	—
Total comprehensive income	250	971	783	680
Total assets	12,443	12,189	11,268	10,480
Total liabilities	8,985	8,981	8,985	8,981
Unappropriated balance	1,498	1,217	853	659
Reserves	1,430	840	1,430	840
Accumulated other comprehensive income	530	1,151	—	—
Market rate of return on investment	4.4%	11.6%	—	—
Accounting rate of return on investment	—	—	10.2%	9.4%

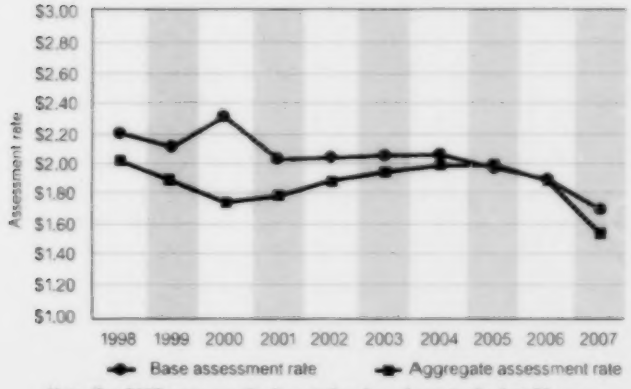
[1] Certain 2006 (fair value) figures have been restated (see financial statements, Note 3, page 78)
[2] Excludes non-recurring claim costs (see Note 9 footnotes on page 83)
[3] Net of claim administration payments: 2007 – $193 million; 2006 – $183 million
[4] The non-recurring expenses in 2006 are claim costs stemming from a 2006 Supreme Court decision on benefit eligibility. Non-rec urring expenses in 2007 relate to an adjustment of claim costs stemming from the 2006 Supreme Court decision on benefit eligibility, and a revision of mortali ty rate assumptions (see Note 9 footnotes on page 83).

Operational Highlights

Injury rate



Assessment rate



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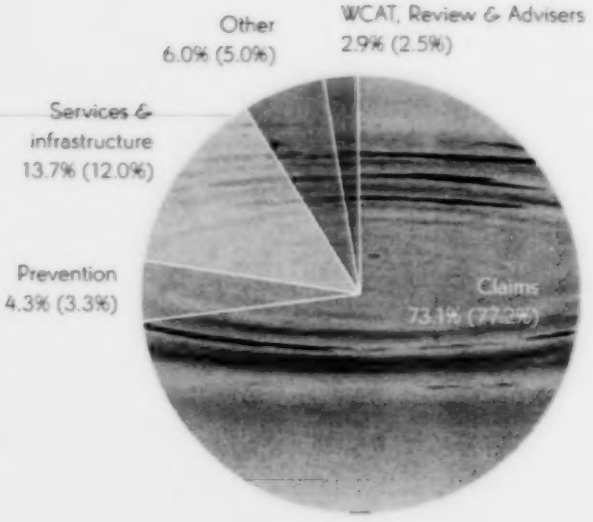

Key financial comparatives ($ millions)	2007 actual (fair value)	2006 actual (fair value)[1]	2007 actual (smoothed)	2006 actual (smoothed)
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The ripple effect

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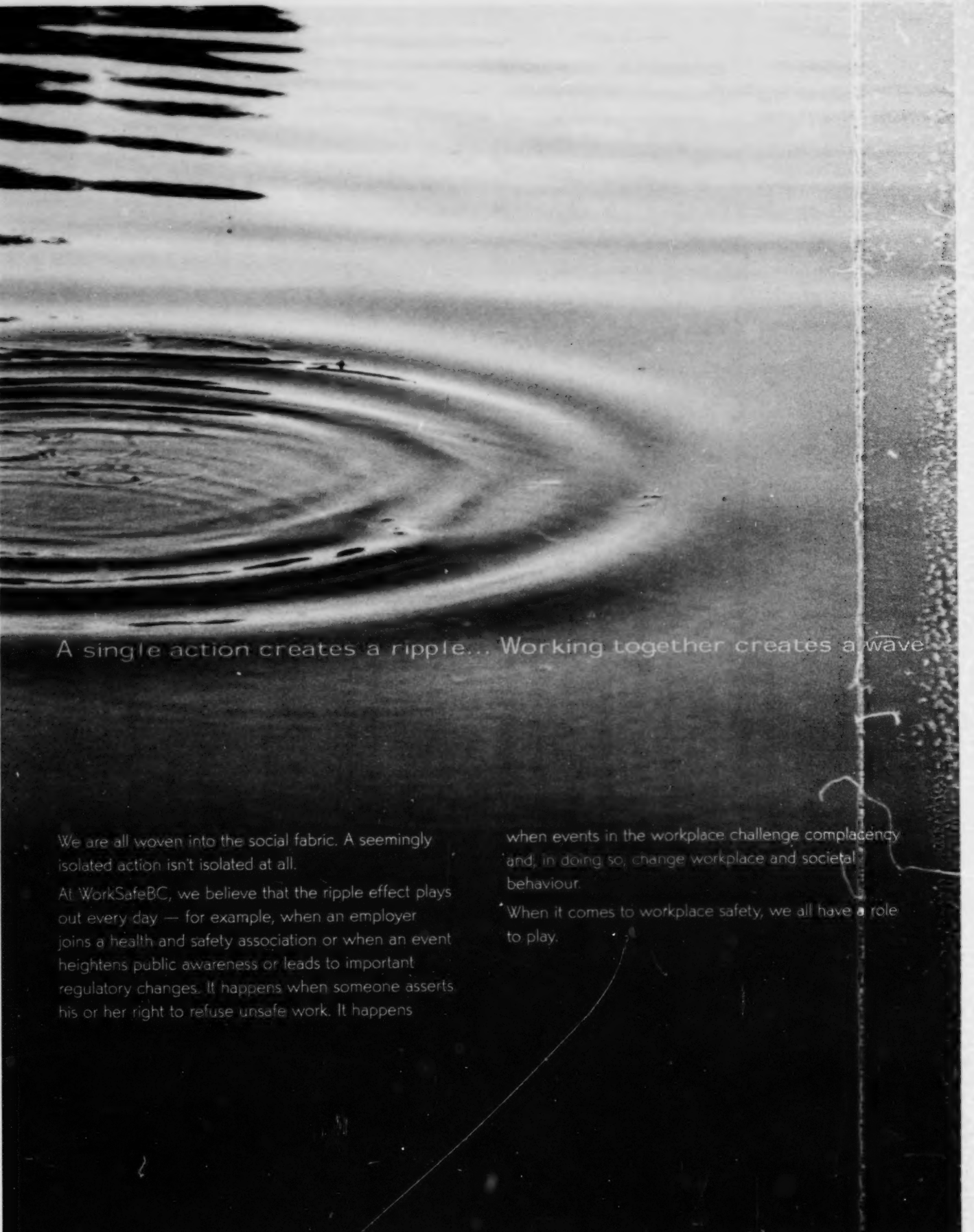
to his family at the end of the day, then returns to productive work the next day and contributes to the economy.

By contrast, a single action can have catastrophic repercussions. Consider, for example, the chain of events that might follow the failure to properly lock out electrical equipment.

Our actions are interconnected, which means we are entrusted with something important. We need to recognize that our actions do not just affect ourselves.

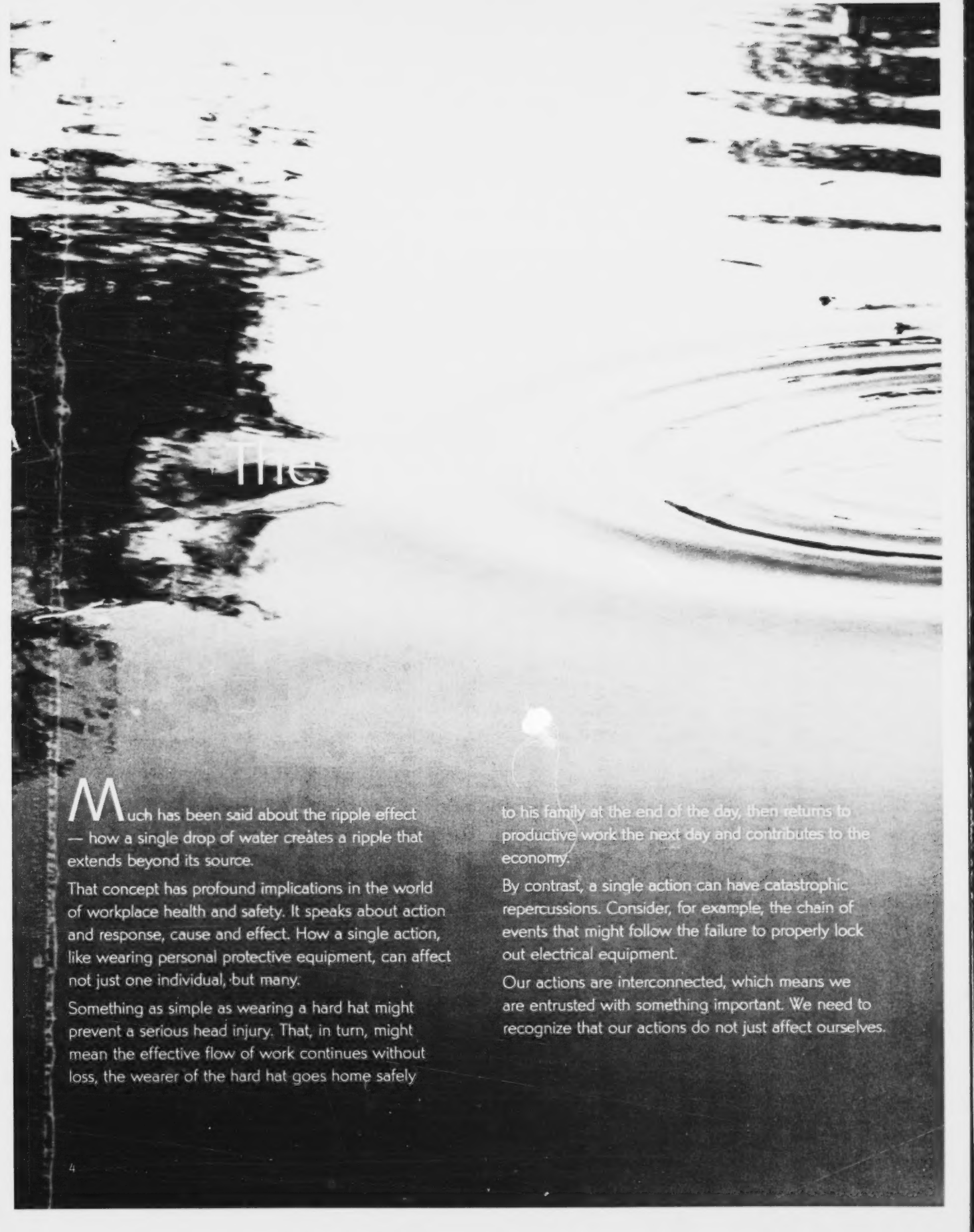


A single action creates a ripple... Working together creates a wave.

We are all woven into the social fabric. A seemingly isolated action isn't isolated at all.

At WorkSafeBC, we believe that the ripple effect plays out every day — for example, when an employer joins a health and safety association or when an event heightens public awareness or leads to important regulatory changes. It happens when someone asserts his or her right to refuse unsafe work. It happens when events in the workplace challenge complacency and, in doing so, change workplace and societal behaviour.

When it comes to workplace safety, we all have a role to play.



The

Much has been said about the ripple effect — how a single drop of water creates a ripple that extends beyond its source.

That concept has profound implications in the world of workplace health and safety. It speaks about action and response, cause and effect. How a single action, like wearing personal protective equipment, can affect not just one individual, but many.

Something as simple as wearing a hard hat might prevent a serious head injury. That, in turn, might mean the effective flow of work continues without loss, the wearer of the hard hat goes home safely to his family at the end of the day, then returns to productive work the next day and contributes to the economy.

By contrast, a single action can have catastrophic repercussions. Consider, for example, the chain of events that might follow the failure to properly lock out electrical equipment.

Our actions are interconnected, which means we are entrusted with something important. We need to recognize that our actions do not just affect ourselves.

A single action

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When it comes to workplace safety, we all have a role to play.

Q & A with the Chair and President

In Conversation with the Chair

Douglas Enns, Chair of WorkSafeBC's Board of Directors, discusses the vision for the workers' compensation system in 2008 and beyond.

What are the priorities for the Board of Directors?

Organizational effectiveness and building a sustainable compensation system for future generations remain our top priorities. But workers and workplaces safe and secure from injury, illness, and disease remains our vision.

WorkSafeBC's prevention initiatives help strengthen the health and safety culture in B.C. workplaces. Our high-risk strategy focuses prevention resources on industry sectors where there is a greater risk of injuries and fatalities. In 2007, fatalities continued to decline, and there have been improvements in the areas in which the strategy focused. These trends support continuing and refining the strategy through 2008.

The market was quite volatile in 2007. How did that impact WorkSafeBC?

Our Accident Fund is invested broadly in order to achieve a certain level of return to meet the increase in the cost of living over the years. Our balanced investment approach has allowed us to weather increased market volatility, as well as 2007 investment returns that were not as strong as in recent years.

The Board of Directors has recognized this and, to further help us weather future market fluctuations, passed a resolution in July 2007 to set a Capital Adequacy Reserve target based on the minimum capital risk requirements of private life and casualty insurers in Canada. It's an objective measure that gives us the tools to ensure that our reserves will weather turbulent economic times.

What is the minimum capital risk requirement?

It's a regulatory requirement for banks and insurance companies that weighs available capital against the inherent risks in the organization's assets and liabilities. WorkSafeBC isn't subject to such a rule, but the Board of Directors believes it is essential to provide payment security for injured workers and premium rate stability for employers.

WorkSafeBC is the first workers' compensation organization in Canada to adopt this minimum capital risk requirement.

How do you determine whether the organization is meeting its goals?

What gets measured gets managed, so at WorkSafeBC we set performance targets for reaching our goals — from reducing the injury rate and average claim duration, to improving timeliness of payments and return-to-work outcomes and maintaining financial sustainability. And we evaluate those targets continually. Setting targets and measuring our progress through key performance indicators show us how we're doing

across all areas of our operations. We assess our progress throughout the year and know we're successful when we meet or exceed those targets.

You've talked about financial stewardship; what's your responsibility to injured workers?

Our responsibility is to provide fair compensation to workers injured in the course of their employment, rehabilitate them, and help them with timely return to work. We must continue to be service oriented and provide compassionate and supportive service. As well, we prudently invest the Accident Fund in order to ensure the monies are there for workers as needed.

What lies ahead?

In 2008, we'll continue to concentrate on helping employers reduce injuries and fatalities and identifying high-risk sectors and groups of vulnerable workers in B.C.

We recognize, however, that even as WorkSafeBC works to eliminate known occupational health and safety risks, new risks are emerging. The ways we work, the materials we handle, the equipment we use over the course of our working life — all continue to change and evolve. We need to ask ourselves what workers are being exposed to today that may result in a latent injury or disease.

We're looking beyond 2008, and through our Research Secretariat we're challenging researchers to ask questions about what those risks might be. Then we can begin to build prevention strategies — before those risks threaten the health and safety of B.C. workers.

All workplace partners — employers, workers, and WorkSafeBC employees — continue to play a critical role in the prevention of illness, injury, and disease. I want to take this opportunity to thank them, as well as the directors of WorkSafeBC's Board of Directors for their contributions. In particular, I'd like to thank outgoing directors Peter Morse and Arlene Ward for their valuable input these last few years.

In Conversation with the President

David Anderson discusses WorkSafeBC's performance in 2007 and its impact on workplace health and safety in British Columbia.

Looking back, what were WorkSafeBC's successes in 2007?

There were many successes in 2007. Financially, results were excellent: the administration ratio dropped, as did employer premium rates, and our funding status is on track. In fact, we met or exceeded most of our performance targets.

Our public confidence results were also very positive. Of the British Columbians who expressed an opinion when polled in 2007, 82 percent recognized WorkSafeBC as an asset to the province. We believe a public that is confident in WorkSafeBC is receptive to our safety message.

We also accomplished a lot in terms of developing the organization, including being recognized as a leader in workplace mental health; receiving a National Earth Award for the sustainability of our Richmond head office facility; and being named one of the top 40 employers in B.C. by Mediacorp Canada Inc., which recognizes companies that lead the way when it comes to attracting and retaining employees.

What were some of the organization's greatest challenges?

It was a challenge to meet our customer service targets in 2007. Our resources were stretched thin by the increase in claims and the development of our large-scale Claims Management Solutions (CMS) initiative, which uses technology to better process, track, and adjudicate claims. While we weren't able to meet our targets for claim duration and timeliness of initial payments, we expect to maintain or improve our performance in these areas in 2008 and make significant service advances through CMS after that. (See page 24.)

Our greatest challenge, however, was coping with the effects of our booming economy. While the injury rate decreased slightly, the absolute number of injuries, and therefore claims, rose — as did the number of people working, particularly in high-risk industries.

Many of the year's injuries were extremely serious, even life changing. These types of injuries are the most devastating to workers and their families, and the most costly to the workers' compensation system. In 2008, we'll focus on learning more about the causes of serious injuries, because we want to see far fewer of them — and eventually none at all.

Why has the injury rate remained flat?

There was actually a slight decrease in the injury rate in 2007. But, statistically speaking, it's been relatively flat the last several years — despite the efforts of workers, employers, and WorkSafeBC.

Certain employment and injury patterns can drive the injury rate up in a booming economy, such as we now have in certain regions of B.C. There are other factors that influence the injury rate, but increased activity and growth in sectors with higher inherent injury rates, or a change in the mix of dominant industries in B.C., can drive up the overall system average, even when the industry itself might be showing improvement. (See key objective/performance indicator #1, page 27.)

At WorkSafeBC, we're very concerned about the persistence of the injury rate. We believe the increase in unskilled, new, and young workers — groups more likely to be injured — is another contributing factor, which is why we'll continue to focus our attention on these groups.

You mentioned strong financial results in 2007. Will this result in rebates or rate reductions for employers in 2008?

The $871-million surplus reflects a number of trends, including the trend toward lower injury rates over the last decade and improved administrative efficiencies.

In 2008, employers will be paying the lowest rates, on average, in 30 years. However, even though results were positive in 2007, financial markets were volatile. Rebates were provided to a small number of employers who were in significantly overfunded positions, but there are no current plans for general rebates to employers in 2008.

What about enforcement? How is WorkSafeBC ensuring that laws and regulations are being followed?

We know enforcement is critical to preventing workplace injury, disease, and death. WorkSafeBC has more prevention and investigation officers in the field now than at any other time in our history. In 2007, we conducted 29,893 inspections — the highest number since 2000 — and imposed $4.3 million in penalties for serious non-compliance with health and safety laws and regulations.

In 2008, our compliance strategy will include a continued focus on high-risk industries like construction, forestry, manufacturing, and transportation. Through inspection and education, we'll focus on vulnerable worker groups, such as those with language barriers, and support the implementation of new regulations to protect those working alone, in isolation, or late at night.

How did WorkSafeBC contribute to broader awareness of workplace health and safety in 2007?

We raised the profile of workplace health and safety in several ways. Young workers were the focus of a number of initiatives in 2007 because we've identified them as a core group — vital to helping change societal attitudes about workplace safety. We introduced regulations to strengthen new and young worker orientation and training; we launched an interactive web site that allows young workers to post their health and safety stories; and youth ambassadors raised awareness about workplace safety at events throughout B.C.

These initiatives are part of our long-standing commitment to B.C.'s youth. In the last decade, we've reached approximately 130,000 young workers through our speakers network. In addition, we've reached roughly a quarter of a million people at presentations and fairs, and the young worker sections of our web site were accessed more than 1.2 million times.

In addition to the young worker initiatives, last year we partnered with employers and labour groups to raise public awareness through our Day of Mourning ceremony and a signage campaign to promote driver caution around traffic control workers in construction zones. WorkSafeBC also participated in community events including eight parades in 2007, and in doing so we got our safety message out to an estimated 1 million people.

What's ahead for 2008?

Preventing workplace injury and illness and improving customer service will remain our top priorities in 2008. And in late 2008, we'll implement CMS, which we believe will transform the way we do business.

Next year will present unique opportunities and challenges for all of us at WorkSafeBC. We're fortunate to have a highly dedicated team of employees who, through their hard work and contributions, enable us to keep meeting our challenges and making a difference, one human being at a time.

About WorkSafeBC

Protecting workers and employers since 1917

In some jurisdictions around the world, workers can sue their employers for damages if they suffer work-related injuries. That's not the case in British Columbia — thanks to what's known as the historic compromise, on which the province's workers' compensation system was founded. In this compromise, workers relinquished their right to sue their employers for injuries, illnesses, and diseases sustained in the workplace. In exchange, employers agreed to fund a no-fault insurance system.

The historic compromise that was reached in 1917 remains the basis of workers' compensation in B.C. today.

Administering the workers' compensation system

WorkSafeBC is a provincial statutory agency dedicated to the reduction — and eventual elimination — of work-related injury, illness, disease, and death in B.C. workplaces, and to easing the physical, financial, and psychological burdens on workers and their families when these do occur.

WorkSafeBC is the operating name of the Workers' Compensation Board of British Columbia. The name conveys the spirit of WorkSafeBC's values and guiding principles, as well as the organization's commitment to prevention, return to work, and customer service.

WorkSafeBC has legislated responsibility for establishing and enforcing occupational health and safety standards; compensating and rehabilitating injured, ill, and disabled workers or providing benefits to their dependants; and assessing and collecting employer premiums to support and administer the workers' compensation system. To meet these responsibilities and fulfill its strategic goals, WorkSafeBC focuses its operations on the following areas of business.

Preventing workplace injury and illness

WorkSafeBC's vision is simple: workers and workplaces safe and secure from injury, illness, and disease. In support of this vision, WorkSafeBC establishes standards and guidelines for occupational health and safety practices, educates and consults with workplace stakeholders, raises public awareness of workplace safety, and builds partnerships with industry safety associations, unions, and other key stakeholders to improve health and safety in B.C. workplaces. Unlike many other workers' compensation agencies, which are often limited to an insurance function, WorkSafeBC has the legislative authority to monitor compliance with occupational health and safety law and regulation through workplace inspections; investigate serious incidents; and, in certain cases, levy financial penalties or other sanctions against employers for safety infractions.

Through its education, consultation, inspection, and enforcement activities, and with the help of external stakeholders, WorkSafeBC is working to improve the health and safety of workers in B.C. By minimizing the social and economic costs of work-related accidents, WorkSafeBC contributes to British Columbians' quality of life and the province's competitive edge in the Canadian and global economies.

Compensating and rehabilitating injured workers

When work-related injuries and illnesses do occur, WorkSafeBC makes entitlement decisions on compensation benefits and administers health care and wage-loss benefits, permanent disability benefits, and survivor benefits for dependants of workers who die as a result of a workplace injury or occupational disease. WorkSafeBC also works with external partners to rehabilitate injured workers and return them to lasting employment in a safe and timely manner.

Maintaining the financial sustainability of the system

WorkSafeBC assesses and collects employer premiums and invests those funds to cover the current and future costs of compensation benefits and the costs of administering the workers' compensation system. WorkSafeBC is committed to the principles of sound financial management and has numerous programs and strategies in place to minimize costs, maximize investment returns, and maintain the long-term financial sustainability of the system.

Providing impartial reviews

To maintain accountability and provide quality control, WorkSafeBC provides impartial reviews of its decisions related to compensation, assessment, and prevention. During the review process, WorkSafeBC may overturn its initial decision if it is found to be incorrect or if new evidence comes to light. The internal review function helps WorkSafeBC improve the consistency, predictability, and quality of its decision making. The Workers' Compensation Appeal Tribunal, an independent appeal tribunal, serves as the final level of appeal for workers and employers on matters of workers' compensation.

Supporting strategic goals

WorkSafeBC conducts a variety of other activities in support of its strategic goals, including designing and implementing programs for improving internal efficiency, conducting investigations to limit WorkSafeBC's exposure to fraud, developing easy-to-use online services, and reviewing and developing new policies and regulations to improve the overall functionality of the workers' compensation system. WorkSafeBC also supports organizational goals through professional development and training opportunities for staff, recruitment strategies, and continued investment in information systems and other capital resources for increased productivity and improved business capacity.

The historic compromise

Each class surrenders to the State certain rights...The employer in submitting to the levy...upon his industry receives the benefit of protection from expensive litigation;

The workman in return, though he loses the precarious right to sue in tort for damages, receives...a stipulated amount based upon his economic position in the community.

Both, as well as the State as a whole, benefit from the elimination of the friction and loss which necessarily attends all litigation.

— B.C. Sessional Papers, Volume II, 1914:M13

Financial Context

The financial information contained in this annual report conforms to the audited financial statements (beginning on page 69), except for the financial information that is specifically noted as based on the smoothed investment accounting approach.

In accordance with Canadian generally accepted accounting principles, WorkSafeBC's financial statements reflect the market value of investments at the end of the reporting year (fair value investment accounting). This provides a snapshot or point-in-time reading of financial assets, which means that short-term financial market fluctuations are reflected in the financial results.

However, since WorkSafeBC's investments are intended to yield returns over the long term, any short-term gains in asset value are not necessarily available to lower employer premium rates or increase worker benefits. Similarly, short-term losses should not necessarily signal the need to increase premium rates or reduce worker benefits.

To avoid rate fluctuations generated by financial market volatility, WorkSafeBC continues to set rates using smoothed investment accounting, which is based on a standard of practice established for all workers' compensation organizations in Canada by an independent study conducted in the early 1990s. This approach takes into account the unique business requirements of Canadian workers' compensation systems, including the need for pricing stability (for employer premium rates) and benefit sustainability (for injured workers and their dependants).

Comparing fair value to smoothed operating results* ($ millions)	Financial reporting		Funding policy	
	2007 fair value	**2006 fair value	2007 smoothed	2006 smoothed
Surplus from operations	871	996	783	680
Other comprehensive income (loss)	(621)	(25)	—	—
Total comprehensive income	250	971	783	680
Portfolio investments	11,762	11,498	10,587	9,789
Other assets	681	691	681	691
Total assets	12,443	12,189	11,268	10,480
Total liabilities	8,985	8,981	8,985	8,981
Fund balance				
Unappropriated balance	1,498	1,217	853	659
Reserves	1,430	840	1,430	840
Accumulated other comprehensive income	530	1,151	—	—
	3,458	3,208	2,283	1,499
Total liabilities and fund balance	12,443	12,189	11,268	10,480

**Numbers have been rounded.*

***Certain 2006 (fair value) figures have been restated (see "Note 3 – Prior adjustment," page 77)*

Comparing fair value to smoothed portfolio investments ($ millions)	2007	2006
Portfolio investments — fair-value basis	11,762	11,498
Deferred investment gains	(1,108)	(1,585)
Restatement of fixed-term investments	(67)	(124)
Portfolio investments — smoothed basis	10,587	9,789

Prudent investment promotes sustainability

To ensure long-term financial sustainability of the workers' compensation system, the *Workers Compensation Act* stipulates that the present and future costs of injuries arising in a given year should be collected by way of assessments on employers whose accounts are active in that year.

WorkSafeBC also seeks to promote sustainability of the system through prudent investment of the Accident Fund. The minimum long-term investment objective of the fund is to earn a real rate of return (the rate of return over inflation) of 3.5 percent, which is the discount rate used to determine the fund's actuarial liability. The primary determinant of the Accident Fund's risk and expected return is its asset mix, which is determined by WorkSafeBC's Board of Directors under the advisement of an investment committee, which includes independent external investment experts in addition to the President and Chief Executive Officer and the Chief Financial Officer of WorkSafeBC.

The Board of Directors regularly reviews and updates a statement of investment policies and goals (SIPG) for the Accident Fund. Among other things, the SIPG sets out a risk budget that guides the investment strategies for the Accident Fund. Currently, 45 percent of the Accident Fund's assets are allocated to fixed-income investments such as bonds (with a permissible range of 35 to 55 percent). Another 45 percent is allocated to Canadian and international equities (with a permissible range of 30 to 55 percent). The final 10 percent is allocated to real estate (with a permissible range of 5 to 15 percent).

Strengthened funding policy offers protection

In previous years, the need to protect against market volatility and other asset and liability risk factors was addressed through the establishment of funding-level targets that were higher than the amount needed to provide for established liabilities. Although the funding-level targets were reviewed annually and adjusted based on economic and financial forecasts, the funding-level targets did not necessarily address longer-term capital adequacy risk.

In 2007, WorkSafeBC's Board of Directors approved the creation of the Capital Adequacy Reserve to address the organization's long-term capital requirements. This reserve will better secure worker benefits by targeting capital levels comparable to those required by private insurers regulated under the federal Office of the Superintendent of Financial Institutions (OSFI). The reserve will also assist in the management of assessment rate volatility by strengthening the organization's ability to withstand economic, investment return, and actuarial uncertainties.

The Capital Adequacy Reserve is part of the total capital available, which includes other reserve balances, the unappropriated surplus balance, and accumulated other comprehensive income. Each year, WorkSafeBC will set aside funds, based on a prescribed formula, until the reserve is built up to the target Capital Adequacy Reserve level (established using the OSFI guidelines), which forms part of the target capital reserve requirement level.

WorkSafeBC's capital strength is measured by its progress in funding the Capital Adequacy Reserve (currently at 34 percent; see key objective/performance indicator #8, page 39) and by its target capital requirement ratio, which is the total capital available divided by the target capital requirement level (currently at 108 percent; see "Note 19 — Capital management," page 89).

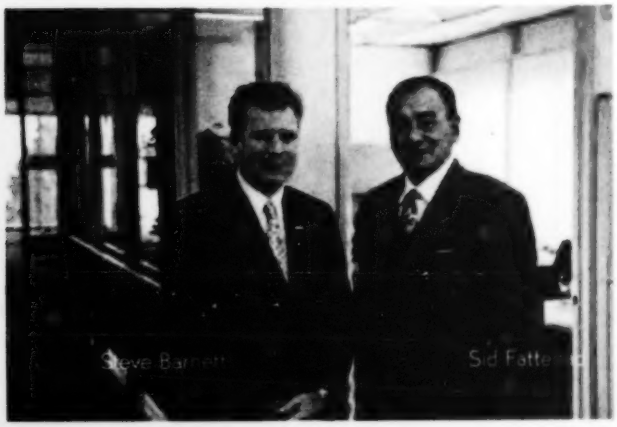
The impact of accounting changes on financial statements

WorkSafeBC made a significant change in financial reporting in 2004, adopting the Canadian fair value accounting standard for financial instruments. This results in some complexity in the organization's reporting, as rate setting continues to be based on smoothed investment accounting. In coming years, this degree of complexity may increase, due to a movement in Canadian accounting to adopt International Financial Reporting Standards (IFRS). Timelines announced in February 2008 for this change would see full implementation in 2011; this would require gathering and reporting comparative information starting in 2010 at the latest.

One particular proposed change — fair value reporting for liabilities reported in financial statements — would have a significant impact on the financial reporting of all Canadian workers' compensation insurers.

There is still uncertainty about the specific changes required under IFRS. WorkSafeBC has joined other health, safety, and compensation boards across the country, under the auspices of the Association of Workers' Compensation Boards of Canada, to develop a coordinated analysis, planning, and implementation approach to meeting the IFRS challenge.

Changes to WorkSafeBC's Senior Executive



Sid Fattedad

At the end of 2007, Sid Fattedad, Vice-President of Finance, Information Services, and Stakeholder Relations and Chief Financial Officer, retired from his position at WorkSafeBC. Under his financial stewardship, WorkSafeBC achieved a position of fiscal strength that sets the standard for compensation systems across Canada. Because of this strong financial status, B.C. employers are enjoying the lowest premium rates in 30 years, injured workers are guaranteed their entitled benefits, and WorkSafeBC is able to provide enhanced resources and support to workers and employers. Fattedad's vision, leadership, and innovation, evident throughout the organization, have helped transform WorkSafeBC into the world-class organization it is today.

Steve Barnett

Effective January 1, 2008, Steve Barnett assumed the role of Vice-President of Finance and Chief Financial Officer for WorkSafeBC. Barnett has been a vice-president at WorkSafeBC since 2004, and the Assistant Chief Financial Officer since 2005. He and Sid Fattedad have worked closely together over the last two years. Barnett is a chartered accountant who has occupied several senior executive roles throughout his career, including Assistant Deputy Minister of Finance and Administration for the Ministry of Education, Government of British Columbia.

Governance

WorkSafeBC Board of Directors

The composition of the WorkSafeBC Board of Directors, as laid out in legislation, ensures that the public interest is given priority and that a balance of representation is provided from B.C.'s worker, employer, and health care/rehabilitation communities.

Together with WorkSafeBC President and Chief Executive Officer David Anderson, the following voting members of the Board of Directors govern the policy and direction of the organization.

Douglas Enns — Chair

Douglas Enns is a chartered accountant with extensive executive management experience in information technologies, banking, mergers and acquisitions, and financial regulation and reorganization. He is the principal of Douglas J. Enns & Associates, a firm providing consulting services to banking, business, and government clients. Among his many appointments, he has served as chair of the Board of Governors at the University of Victoria and president of the B.C. Institute of Chartered Accountants.

Terry Brown — Employer Representative

Terry Brown has a broad range of experience in small business marketing, management, and ownership. He is currently the general manager of Greyback Construction, a medium-sized construction company based in the Okanagan. He has in-depth knowledge of occupational health and safety issues, and serves as a board member for several organizations, including the Canadian Construction Association.

Stephen Hunt — Worker Representative

Stephen Hunt's background with the United Steelworkers, one of Canada's largest and most diverse unions, covers all aspects of health and safety, with specific expertise in mine safety. He is the Steelworkers' director for Western Canada (District 3), and serves on numerous provincial and national safety committees, including the B.C. Federation of Labour's occupational health and safety committee.

Roslyn Kunin — Vice-chair Public Interest Representative

Dr. Roslyn Kunin is the principal of Roslyn Kunin and Associates Inc., an economic consulting company specializing in the labour market and human resources. She is a senior fellow of the Canada West Foundation and director of the B.C. office, and a member of the National Statistics Council of Statistics Canada. She has taught at several universities and is a member of the Order of Canada.

George Morfitt — Public Interest Representative

George Morfitt is an adjunct professor at the University of Victoria's School of Public Administration. Previously, during his appointment as Auditor General of British Columbia, he oversaw the implementation of leading-edge governance and accountability initiatives in the public sector.

Peter Morse — Actuary*

Until his 1999 retirement from Towers Perrin, one of the world's largest global management consulting firms, Peter Morse served as a primary consultant to a number of major western Canadian pension plan sponsors, in addition to his overall responsibilities as senior actuary in the Vancouver office. He is a former president of the Canadian Institute of Actuaries.

Bob Smith — Actuary

Bob Smith is an actuary with extensive experience as a senior executive and board member in the insurance, finance, pension, and investment fields. In 2005, he retired from Mercer Human Resources Consulting, where he was responsible for the health care and group benefits practice. Previously, he served as president and chief executive of Seaboard North American Holdings, directing the North American insurance operations of Eureko BV.

Arlene Ward — Health Care/ Rehabilitation Professional*

Arlene Ward has been working with persons with disabilities for more than 22 years. Her experience ranges from advocacy to the development and implementation of disability management programs. Her personal experience as an individual living with a catastrophic-loss disability, in combination with her academic background, has given her unique knowledge and insight into her field.

* In 2007, Peter Morse and Arlene Ward retired from WorkSafeBC's Board of Directors.

Duties

According to the *Workers Compensation Act*, the Board of Directors must:

- Set and revise as necessary the policies of the Board of Directors, including policies respecting compensation, assessment, rehabilitation, and occupational health and safety
- Set and supervise the direction of WorkSafeBC
- Select the president of WorkSafeBC and determine the president's functions
- Approve the operating and capital budgets of WorkSafeBC
- Establish policies and accounting systems to ensure adequate funding of the Accident Fund
- Approve major programs and expenditures of WorkSafeBC
- Approve the investment of WorkSafeBC funds in accordance with the requirements imposed under the Act
- Plan for the future of WorkSafeBC
- Enact bylaws and pass resolutions for the conduct of WorkSafeBC's business and the functions of the Board of Directors, including enacting bylaws regarding the manner in which the policies of the Board of Directors are to be published
- On or before March 31 of each year, provide the Minister of Labour and Citizens' Services with a service plan that addresses the three-year period starting on January 1 of that year and does the following:
  - Sets out WorkSafeBC's priorities
  - Identifies specific objectives and performance measures for WorkSafeBC
  - Provides a fiscal forecast for WorkSafeBC, including a statement of all material assumptions and policy decisions underlying the forecast
  - Compares actual results of the previous year with the expected results identified in the previous year's service plan
  - Presents other information that WorkSafeBC considers appropriate

Major accomplishments

In 2007, the major accomplishments of the Board of Directors of WorkSafeBC included:

- Enhancing protection for some of B.C.'s most vulnerable workers. The Board of Directors approved regulatory changes that, as of February 1, 2008, required mandatory prepayment for fuel at gas stations throughout the province and introduced new requirements to protect those who work alone or in isolation.
- Enhancing protection for all forestry workers in B.C. through major amendments to Part 26 of the Occupational Health and Safety Regulation. Amendments include those that address recommendations from the recent coroner's inquest into the death of a faller, new requirements for prime contractors, and enhanced requirements for worker supervision.
- Implementing the capital reserve requirements using the Office of the Superintendent of Financial Institutions (OSFI) approach to help ensure the financial sustainability of the workers' compensation system in the years ahead.

Committees

The Board of Directors met nine times in 2007 and held one governance and planning session. The Board of Directors may establish committees and give direction to those committees. Current Board committees are as follows:

- Audit Committee — met eight times in 2007
- Human Resources and Compensation Committee — met four times in 2007
- Priorities and Governance Committee — met six times in 2007

Priorities

- Prevent injury and illness in the workplace
- Return workers to employability
- Serve employers, workers, and workers' dependants
- Develop partnerships to promote prevention and durable return to work
- Enhance decision making in prevention, compensation, and assessment
- Improve the cost-effectiveness of the services we deliver
- Maintain financial stability and sustainability
- Educate, engage, and communicate with our stakeholders

Standard of conduct

Section 84 of the *Workers Compensation Act* requires members of the Board of Directors to adhere to the following standard of conduct when exercising their powers and performing their functions and duties:

- Act honestly and in good faith
- Act with a view to the best interests and objectives of the workers' compensation system
- Exercise the care, diligence, and skill that a reasonably prudent individual would exercise in comparable circumstances
- Act in a financially responsible and accountable manner
- Read, acknowledge, and agree to conduct themselves in accordance with detailed Code of Conduct and Conflict of Interest Guidelines upon appointment and each subsequent year as directors

Decisions

The Board of Directors makes decisions on policy and regulation that affect the workers and employers of British Columbia. The Board's decisions can affect the premium rates employers pay, as well as the level of benefits workers receive. As part of its commitment to remaining open and accountable to its stakeholders and the general public, WorkSafeBC posts the Board of Directors' decisions, along with the formal resolutions, online at www.worksafebc.com/regulation_and_policy/policy_decision/board_decisions/default.asp.

Accountability

The *2007 Annual Report and 2008–2010 Service Plan* was prepared under our direction in accordance with the *Workers Compensation Act*. We are accountable for the results achieved, for the selection of performance measures, and for how our performance has been reported.

The information contained within reflects the actual performance of WorkSafeBC for the 12 months beginning January 1, 2007, and ending December 31, 2007. All material fiscal assumptions and policy decisions up to March 11, 2008, have been considered in the development of this publication.

This annual report and service plan presents a comprehensive picture of our actual performance against targets set in the *2006 Annual Report and 2007–2009 Service Plan*, and includes estimates and significant interpretive information that represent the best judgment of WorkSafeBC management. The measures reported are consistent with the organization's mission, goals, and objectives, and focus on aspects critical to understanding WorkSafeBC's performance.

We are responsible for ensuring that WorkSafeBC's performance information is measured accurately and in a timely manner. Any significant limitations in the reliability of the performance data have been identified and explained within.

This report and service plan has been prepared in accordance with the B.C. Reporting Principles and is intended for a general audience. More detailed information about WorkSafeBC is available on our web site at WorkSafeBC.com.

On behalf of the Board of Directors and management of WorkSafeBC:

Douglas Enns, FCA, C.Dir.
Chair
WorkSafeBC

David Anderson, MBA, C.Dir.
President and Chief Executive Officer
WorkSafeBC

Report of the Auditor General of British Columbia

To the Board of Directors of the Workers' Compensation Board, and
To the Minister of Labour and Citizens' Services, Province of British Columbia

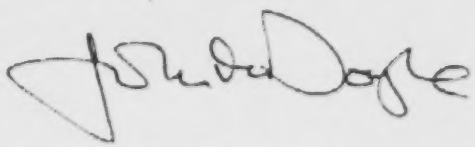
I have audited the *2007 Annual Report and 2008-2010 Service Plan* (the annual report) of the Workers' Compensation Board of British Columbia (WorkSafeBC) to assess whether performance has been fairly presented in accordance with the BC Reporting Principles for the year ended December 31, 2007. The eight BC Reporting Principles outline the characteristics of good performance reporting, and were endorsed by the Legislative Assembly's Select Standing Committee on Public Accounts in 2003 for use by public sector organizations in British Columbia. This annual report is the responsibility of WorkSafeBC's management. My responsibility is to express an opinion on this annual report based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Accordingly, I planned and performed an audit to obtain reasonable assurance that the BC Reporting Principles have been incorporated in the annual report. My audit included examining, on a test basis, evidence supporting the amounts and disclosures in the annual report and assessing significant estimates underlying reported performance.

I have audited the entire annual report to assess whether the information required by the BC Reporting Principles has been included. However, this opinion excludes the information presented in WorkSafeBC's financial statements, for which a separate audit opinion is provided.

As called for by the BC Reporting Principles, the annual report contains a number of representations from management concerning the appropriateness of the goals, objectives, and targets established by WorkSafeBC, explanations of the adequacy of planned and actual performance, and expectations for the future. Such representations are the opinions of management and inherently cannot be subject to independent verification. Therefore, my examination was limited to ensuring the report contains those representations called for by the BC Reporting Principles and that they are consistent with the audited performance information and financial statements.

In my opinion, this annual report fairly presents, in all significant respects, the performance of WorkSafeBC for the year ended December 31, 2007, in accordance with the BC Reporting Principles. The following appendix contains details supporting my conclusion for each of the BC Reporting Principles, and is an integral part of my opinion.



Victoria, British Columbia
March 11, 2008

John Doyle, MBA, CA
Auditor General

Appendix to the Report of the Auditor General of British Columbia on the 2007 Annual Report of the Workers' Compensation Board of British Columbia (WorkSafeBC)

Detailed observations

Principle 1 – Explain the Public Purpose Served
The report explains WorkSafeBC's public purpose, enabling legislation, and mission. Core business areas, services, clients, and stakeholders are described, as is the role of partners. The report explains WorkSafeBC's governance structure and external accountabilities. The report outlines WorkSafeBC's values that guide its service delivery (guiding principles and premises).

Principle 2 – Link Goals and Results
The report explains the chain of events from mission to goals, objectives, and strategies through to performance measures. The relevance of these measures is explained in the context of WorkSafeBC's goals and objectives, and in relation to issues of concern to an external audience (the public and legislators). Performance measurement focuses on outcomes in the short and long term, explaining how short-term achievements impact long-term results. Variances between planned and actual results are explained and related to expectations and plans for the future.

Principle 3 – Focus on the Few, Critical Aspects of Performance
The report states why goals, objectives, and 11 performance measures are important to WorkSafeBC and to an external reader. The performance information provides a clear performance story. Key results are clear and readily apparent.

Principle 4 – Relate Results to Risk and Capacity
The report summarizes key risks and capacity issues in relation to each performance measure, their impact on results, and strategies for dealing with them in the future. Issues related to organization-wide financial, infrastructure, and technology risks and capacity are discussed separately.

Principle 5 – Link Resources, Strategies and Results
Revenue and expense variances are described as part of management's commentary on the financial statements. Costs are related to key business activities and goals. Planned and actual costs are provided for key revenue and expense items, and 10-year trend information is provided for revenues and expenses. Critical measures of efficiency are identified — administrative efficiency is the focus of one key performance indicator, and operational financial performance is the focus of another.

Principle 6 – Provide Comparative Information
Actual performance is clearly reported in relation to the service plan. Current performance is graphically related to historic trends, and related to relevant industry benchmarks. Inconsistencies in trend data are fully explained, and future performance targets are explained in the context of current performance.

Principle 7 – Present Credible Information, Fairly Interpreted
We are providing a high level of assurance that the data supporting the 11 key performance indicators is reliable. Systems to compile performance indicator data have been established and documented, although we do not provide assurance on the effectiveness of the control environment. Specialized terminology has been largely avoided in the report and the report has been issued in accordance with statutory reporting deadlines.

Principle 8 – Disclose the Basis for Key Reporting Judgments
The report provides explanations for how performance indicators are derived and the period to which data relates. WorkSafeBC's Chair and CEO have affirmed their ownership of the report, and their responsibility for ensuring the accuracy and timeliness of performance information. The report explains the importance and relevance of goals and objectives, and it discusses how targets are selected.

A single action creates a ripple...

Increased protection for farm workers

On March 7, 2007, in B.C.'s Fraser Valley, a van carrying a driver and 16 farm workers rolled over, killing three of the workers and injuring several others. The tragedy, which reverberated through the farming community and the entire province, sparked a renewed demand for roadside inspections to ensure farm labour transport vehicles meet occupational health and safety requirements and employment standards, and comply with the *Motor Vehicle Act*.

In response to the tragic event, WorkSafeBC and other regulatory agencies took action to address safety problems associated with farm labour transport. The increased roadside inspections were the result of united efforts by WorkSafeBC, the Ministry of Transportation's Commercial Vehicle and Safety Enforcement Branch, and local policing authorities. Heightened inspection activity has resulted in enforcement action against contractors responsible for safety violations — including overloaded vehicles, unstable floors, lack of seat belts and seating, and mechanical and vehicle maintenance problems. Non-compliance in the transport of agriculture workers has declined since the reinstatement of roadside inspections, which suggests that employers are addressing health and safety issues proactively.

Vehicle inspections are one of a variety of measures being used to protect farm workers. In the summer of 2007, WorkSafeBC co-sponsored information sessions for farm labour contractors in the Fraser Valley to create greater awareness of the legal responsibilities of employers and commercial vehicle owners in the agriculture industry. The sessions, presented in English and Punjabi, outlined the responsibilities of employers and carriers, safe transport of farm workers to job sites, and consequences of non-compliance with regulatory requirements.

WorkSafeBC continues to partner with multiple agencies to develop a Memorandum of Understanding that will promote a greater understanding of agriculture employers' and workers' rights and responsibilities under the legislation.

Together, the partners are looking at a range of issues, including the payment of wages, driver qualifications, vehicle mechanical fitness, load security, and the safe transportation of workers.

WorkSafeBC has also hired additional safety officers to focus on the agricultural sector. A total of seven officers — four in the Fraser Valley and three in the Okanagan — will work to ensure the safety of workplaces and the safe transport of farm workers in the province's two main agricultural regions. Officers will also focus on compliance with workplace regulations in greenhouses and nurseries.

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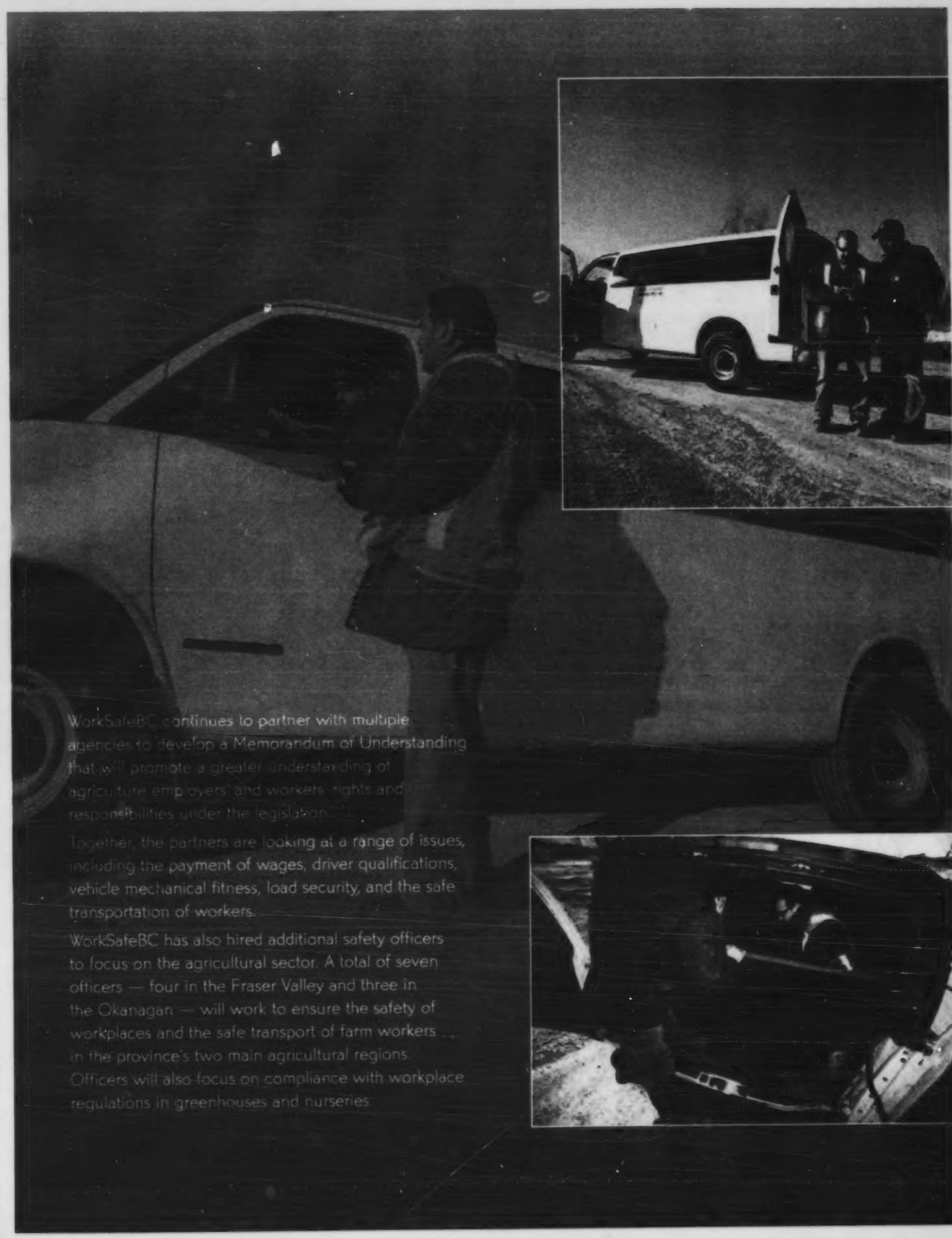

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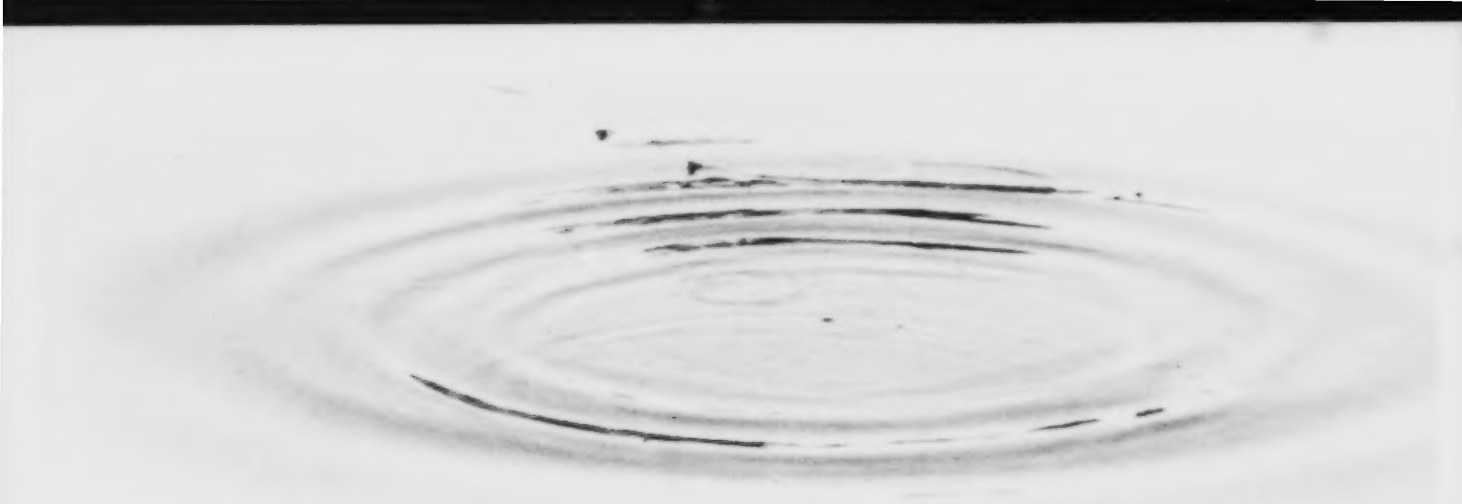


Our Performance

Measuring Our Performance

WorkSafeBC's Board of Directors and Senior Executive Committee have established four key strategic goals to guide the organization as it moves toward improved service and operational efficiency. These goals, established in 2002, are explicitly linked to WorkSafeBC's mission, vision, values, and priorities, and provide the foundation for measuring organizational performance year over year.

Key strategic goals:

1. Foster the improvement of occupational health and safety in workplaces
2. Improve service to stakeholders
   a) Improve satisfaction, accessibility, and public confidence
   b) Improve adjudicative decision making throughout the divisions, ensuring consistency with the legislation and policy
3. Improve cost-effectiveness and accountability of the services we deliver
4. Maintain financial sustainability and stability

To measure its performance against each goal, WorkSafeBC uses a set of objectives and associated key performance indicators that allow the organization to track and benchmark progress over time. These objectives and performance indicators guide planning and decision making at all levels of the organization and, through the annual reporting process, help WorkSafeBC remain open and accountable to the people of British Columbia.

There are a number of objectives and performance indicators used by WorkSafeBC, of which 11 have been identified by the Board of Directors and Senior Executive Committee as being most crucial to the fulfillment of WorkSafeBC's overall strategic goals (see page 25).

In choosing which performance indicators to highlight, the Board of Directors and Senior Executive Committee considered a number of key factors:

- Relevance of the indicators in relation to WorkSafeBC's strategic goals
- Validity of the indicators (i.e., do they measure what they are intended to measure?)
- Availability and reliability of data
- Clarity, comprehensiveness, and transparency of the indicators
- Ability of the indicators to provide reliable comparisons over time

The 11 key performance indicators reflect WorkSafeBC's commitment to balanced scorecard reporting, which incorporates both financial and non-financial factors crucial to the fulfillment of WorkSafeBC's mandate, mission, and vision. By looking beyond purely financial measures of success, WorkSafeBC is able to build a more comprehensive picture of performance across a wide range of business areas, and use that information to help drive change and enhance business operations.

Each performance indicator (along with additional measures used at the corporate and divisional levels) is monitored and assessed throughout the year to track progress toward targeted goals. Most indicators are updated on a monthly or quarterly basis, which allows WorkSafeBC to adjust to changes quickly and, when necessary, make corrective policy, program, or operational changes to get back on target.[1]

Changes from the previous year

Ten of the 11 performance indicators selected for this year's annual report and service plan are a continuation of those used since 2003,[2] although there have been changes in some definitions and methods of calculation since their original introduction. Any substantive changes in methods are noted in the year in which they were made. Every effort is made to report historical information in a manner consistent with current results. Some of the previous years' results published in the 2006 annual report and service plan were changed after publication due to the inclusion of new data and/or the refinement of calculation results. All such changes are noted and explained throughout the Performance Targets and Results section of this report (pages 27 through 49).

Setting annual targets

In setting annual targets for each key performance indicator, WorkSafeBC considers several factors, including historical performance, desired levels of service, operational requirements, and resources available for reaching short- and long-term goals. WorkSafeBC also considers environmental and external factors that may affect performance, as well as the potential to mitigate or control those factors through various programs and initiatives (see Appendix C: Operating Environment, beginning on page 101).

WorkSafeBC sets its performance targets based on past experience and the likely impact of its programs and initiatives on future performance. When setting targets, WorkSafeBC strives for continuous improvement. In some cases, however, targets set for future years may be the same or lower than the levels achieved in the previous year. This can arise when the factors that contributed to past performance are not expected to continue. For example, favourable results may have been achieved because of an improvement to economic conditions, a new initiative, or a one-time allocation of resources that is not expected to continue in future years. Targets may also be less favourable than past performance when certain expenditures or activities are projected to impact the result. For example, an investment in new technology would increase WorkSafeBC's administrative costs for a period of time. The effect of such an increase would be factored into future targets.

The section that follows lists each key performance measure, the factors that contributed to the performance outcome, and annual targets through to 2010.

WorkSafeBC's targets are consistent with the meaning and use described in the Performance Reporting Principles for the British Columbia Public Sector. In that context, a target is a forecast of a performance measure's value in a given year of the service plan. Targets are not intended to limit continuous improvement or dictate how decision makers should adjudicate individual claims.

Ensuring data reliability

WorkSafeBC stands behind the integrity and reliability of all key performance results included in this annual report and service plan, but recognizes that some measures can be further refined due to the complexity of the variables involved. In an ongoing effort to improve its performance reporting, WorkSafeBC recently underwent the fifth year

of a voluntary annual audit by the Office of the Auditor General of B.C. This audit was aimed in part at validating the systems and processes used to collect performance data at WorkSafeBC, verifying the accuracy of the results, and identifying areas for improvement. For more information on the Office of the Auditor General's findings, refer to pages 18 and 19.

The quality, consistency, comparability, and completeness of the data contained in WorkSafeBC's annual report and service plan will be further improved over time through ongoing auditing and quality-control initiatives. The Board of Directors and Senior Executive Committee will continue to evaluate the performance measures and refine them as needed to ensure that each is a meaningful indicator of progress toward WorkSafeBC's overall strategic goals.

Comparing results over time

Past results are shown for each performance measure. While WorkSafeBC's criteria to measure its performance remain the same from year to year, the overall operating environment must be considered to properly interpret results over time. A change in the mix of economic activity — an increase in construction activity, for example — can impact several measures.

Similarly, changes in the proportion of occupational disease claims could affect the measure for timeliness of payments, since claims for disease are complex and generally take more time to adjudicate. Changes in the economy can impact some measures more than others. When there is strong demand for labour, claim duration may fall while successful return-to-work outcomes may increase.

In each key performance measure, the significant factors that have changed from past years, or are expected to change by 2010, are reported.

Comparing results with other jurisdictions

In Canada, all workers' compensation organizations collect data to help measure performance and administer their systems; however, due to differing legal requirements, policies, goals, governing structures, and operating procedures, there are often significant differences in the data collected and reported from one jurisdiction to the next. To help overcome this challenge, the Association of Workers' Compensation Boards of Canada has developed a series of standardized measures. For more information on these measures, refer to Appendix B: Comparing Results with Other Jurisdictions, beginning on page 98.

Claims Management Solutions

WorkSafeBC's 2004–2010 strategic plan sets out a vision for workers' compensation in B.C.[3] Supporting that vision is a strong commitment to improve WorkSafeBC's services, particularly the delivery of compensation services to workers, employers, and health care service providers.

The Claims Management Solutions (CMS) initiative is designed to refocus the organization's core business in claim management, enhance service, and improve WorkSafeBC's operations. The goal of CMS is to improve the service experience for workers and employers, capture and use data more effectively, and enhance the organization's financial systems.

WorkSafeBC will implement CMS in late 2008. The projected benefits for workers and employers include:

- Improved timeliness in claim handling
- Increased quality and consistency of claim adjudication
- Earlier identification of injured workers who need return-to-work programs
- Increased service options such as Teleclaim for workers and employers and new Internet channels
- Reduced administrative costs

WorkSafeBC is confident that CMS will improve its delivery of services in the future. However, as WorkSafeBC moves into 2008, the organization remains cautious about achieving aggressive targets. CMS is the largest technological change ever undertaken by WorkSafeBC. The magnitude of change involved means that all adjudicative staff will require training. Overall, WorkSafeBC staff will be less available to workers and employers leading up to CMS implementation, which could temporarily affect some service results.

Linking priorities and performance

Priorities	• Prevent injury and illness in the workplace • Return workers to employability	• Serve employers, workers, and workers' dependants • Develop partnerships in prevention and durable return to work	• Enhance decision making in prevention, compensation, and assessments • Improve the cost-effectiveness of the services we deliver	• Maintain financial stability and sustainability • Educate, engage, and communicate with our stakeholders
Goals[a]	Goal 1: **Foster the improvement of occupational health and safety in workplaces**	Goal 2a: Improve satisfaction, accessibility, and public confidence	Goal 2b: **Improve adjudicative decision making throughout the divisions, ensuring consistency with the legislation and policy**	Goal 3: Improve cost-effectiveness and accountability of the services we deliver	Goal 4: **Maintain financial sustainability and stability**
Objectives	• **Reduce the provincial injury rate**	• Reduce the average short-term claim duration[b] • Improve return-to-work outcomes for workers in vocational rehabilitation • Improve timeliness of initial short-term disability payments • Improve injured workers' rating of overall experience • Improve employers' rating of overall experience • Raise public confidence	• **Improve decision making throughout WorkSafeBC, ensuring consistency with legislation and policy**	• Control administration costs	• **Achieve a funding level reflecting100 percent of the target Capital Adequacy Reserve** • **Attain an aggregate premium rate between $1.25 and $2.25 per $100 of assessable payroll**
Indicators	• **Injury rate (accepted short-term disability claims per 100 person-years of employment)** (performance indicator #1) **(pg. 27)**	• The average number of days lost from work and subsequent wage-loss benefits paid by WorkSafeBC per short-term disability claim (performance indicator #2) (pg. 30) • Successful return-to-work outcomes as a percentage of all return-to-work referrals concluded by Vocational Rehabilitation Services each year (performance indicator #3) (pg. 32) • The number of days it takes WorkSafeBC to get first wage-loss payments to short-term disability claimants from the date of their disablement (performance indicator #4) (pg. 33) • Survey results: injured workers' rating of overall service and experience (performance indicator #5) (pg. 35) • Survey results: employers' rating of overall service and experience (performance indicator #6) (pg. 37) • Ipsos Reid public contribution index (performance indicator #7) (pg. 38)	• **The proportion of issues leading to decision changes as a result of legal and/or policy errors (Review Division and WCAT levels)** (performance indicator #11) **(pg. 46)**	• Annual administration costs per $100 of assessable payroll collected from employers (performance indicator #10) (pg. 45)	• **Percentage of the target Capital Adequacy Reserve achieved** (performance indicator #8) **(pg. 39)** • **Aggregate premium rate** (performance indicator #9) **(pg. 43)**

a *Workers' Compensation in 2010 and Beyond: Strategic Plan* (WorkSafeBC, September 21, 2004), www.worksafebc.com/publications/reports/annual_reports/assets/pdf/strategic_plan_2010/strat_plan_2010.pdf

b WorkSafeBC's objectives emanate from the organization's underlying goals for improvement. By meeting the objectives listed in this column, such as reducing the average short-term claim duration, WorkSafeBC can achieve its key goal of improving satisfaction, accessibility, and public confidence.

Performance targets and results at a glance

Key objective/performance indicator	2007 target	2007 result	2008 target	2009 target	2010 target
1. Reduce the provincial injury rate (the number of short-term disability claims accepted by WorkSafeBC per 100 person-years of employment)	3.06 or less	3.07	3.04 or less	3.00 or less	3.00 or less
2. Reduce the average short-term claim duration	45.4 days	46.3 days	46.3 days	45.4 days	44.4 days
3. Improve return-to-work outcomes for workers in vocational rehabilitation[a]	75% or more	81.8%	75% or more	75% or more	75% or more
4. Improve timeliness of initial short-term disability payments	17.5 days	18.4 days	18.0 days	17.0 days	17.0 days
5. Improve injured workers' rating of overall experience	71% good or very good	73% good or very good	73% good or very good	74% good or very good	75% good or very good
6. Improve employers' rating of overall experience	79% good or very good	78% good or very good	78% good or very good	78% good or very good	78% good or very good
7. Raise public confidence	82%	82%	82%	83%	84%
8. Achieve an Accident Fund ratio (smoothed basis), including reserves, in the range of 100 to 130 percent	121%	125%	—	—	—
Achieve a funding level reflecting 100 percent of the target Capital Adequacy Reserve[b]	—	34%	50%	61%	68%
9. Attain an aggregate premium rate between $1.25 and $2.25 (per $100 of assessable payroll)	$1.67	$1.66[c]	$1.55	$1.49	$1.44
10. Control administration costs (per $100 of assessable payroll) (previous method)	$0.39	$0.36	—	—	—
Control administration costs (per $100 of assessable payroll)[a, d] (new method)	$0.35	$0.33	$0.34	$0.32	$0.32
11. Improve decision making throughout WorkSafeBC, ensuring consistency with legislation and policy (proportion of issues leading to overturned decisions at the review and/or appeal level due to WorkSafeBC error in law or policy)[e]	Review level: 2.0% or less Appeal level: 2.5% or less	Review level: 1.3% Appeal level: 2.4%	Review level: 2.0% or less Appeal level: 2.5% or less	Review level: 2.0% or less Appeal level: 2.5% or less	Review level 2.0% or less Appeal level: 2.5% or less

a The 2007 target is less favourable than the result achieved in 2007. For more information, refer to the performance indicator results on the following pages.

b In 2007, WorkSafeBC's Board of Directors approved the establishment of a Capital Adequacy Reserve, which significantly change s how WorkSafeBC reports on its funding level. In past years, WorkSafeBC stated its targets in terms of the funded ratio. Targets in this area, listed for 2008 through to 2010, are based on a formal capital adequacy methodology.

c The $1.66 aggregate premium rate does not reflect the special $86-million surplus rebate in 2007 to rate groups in excess sur plus positions. Including this surplus rebate, the aggregate premium rate for 2007 was $1.53 per $100 of assessable payroll.

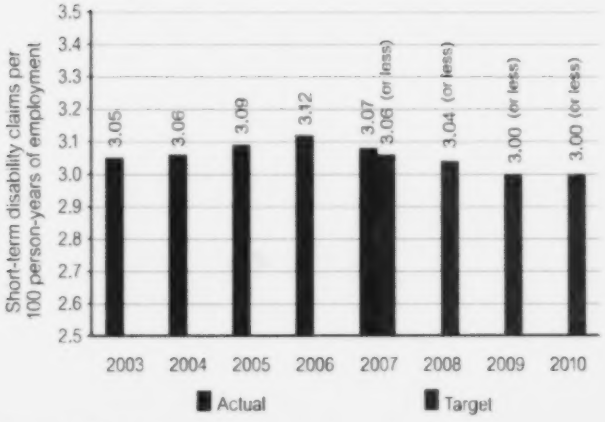
d In order to better compare its results with those of other jurisdictions, in 2007 WorkSafeBC implemented a new method to cal culate administration costs. Future targets are less favourable than the result achieved in 2007. For more information, refer to the performance indicator on page 45.

e The 2007 target is less favourable than the result achieved in 2007. For more information, refer to the performance indicator results on the following pages.

Performance Targets and Results

Key objective/performance indicator # 1: Reduce the provincial injury rate[4]

B.C. injury rate



Importance

On a typical workday in the province of British Columbia, injured workers register nearly 700 claims with WorkSafeBC. Every month, an average of 12 lose their lives due to a work-related injury or occupational disease. This is unacceptable.

Preventing work-related injury, illness, and death is WorkSafeBC's number one priority. The organization gauges its progress by the provincial injury rate, which is the number of wage-loss claims initially accepted by WorkSafeBC per 100 person-years of employment. The lower the rate, the lower the human cost paid through work-related injuries and deaths.[5]

Injury and occupational disease are not acceptable costs of doing business, yet an Ipsos Reid survey in December 2007 found more than 50 percent of all British Columbians believe workplace injuries are inevitable. To reduce the injury rate further, employers, workers, unions, government, and WorkSafeBC must all work together to help change societal views toward safety and eventually achieve a future where workers are safe and secure from injury, illness, and death.

Setting targets

The provincial injury rate reflects the outcome of work-related injuries, illnesses, and deaths that have occurred in all sectors of the economy. The provincial injury rate can be affected by a number of factors, such as changes in industry practices, experience levels of workers, and injury risks. Therefore, when setting targets, WorkSafeBC considers the injury rate in each sector, as well as employment trends, industry conditions, sector initiatives, and other factors specific to each sector. Although the data required for calculating the final injury rates by sector for 2007 will not be available until mid-2008, WorkSafeBC has used preliminary injury rates for each sector (see table below) and historical trends to set targets.

The overall injury rate is a composite figure based on the injuries in all sectors. While WorkSafeBC uses the same criteria to measure the injury rate from year to year, a number of factors — such as a change in B.C.'s economic activity — can influence results over time (see "Comparing results over time," page 24). Moreover, even if the injury rate falls in all sectors, a change in the mix of industrial activity may still result in an increase in the provincial injury rate.[6]

The following table shows the estimated change in the 2007 injury rate for each sector compared with the final injury rate for 2006. This data forms the basis for future targets.

Injury rate by sector

Sector	Injury rate for 2006	Estimated change in 2007[7]
Primary Resources	3.9	No change
Manufacturing	5.1	No change
Construction	6.4	Slightly lower
Transportation and Warehousing	6.5	Slightly lower
Trade	2.8	No change
Public Sector	4.9	No change
Service Sector	2.0	No change

Note: No change = Change in injury rate of 2 percent or less
Slightly lower = Decrease in injury rate of 3 to 4 percent

Serious injuries — those that cause the greatest harm to the life and health of workers, as well as to their families and the economy — demand special attention. While lower injury rates can be achieved by reducing all types of injuries, reducing serious injuries is a priority for all stakeholders, including WorkSafeBC's Board of Directors.

WorkSafeBC is developing a more granular measure to focus on serious injuries.

Performance highlights

The injury rate decreased slightly from 3.12 in 2006 to 3.07 in 2007.[8] The target for 2007 was not achieved due to persistent injury rates in certain sectors.

Improvements in sector-specific injury rates in 2007 contributed to the overall decrease in the provincial injury rate. Lower injury rates in the construction and transportation/warehousing sectors are estimated to have had the greatest impact. That impact was dampened, however, by employment growth in these sectors, which have relatively high injury rates.

Overall, claim volume increased by 0.4 percent, while employment in B.C. grew by 3.2 percent. Given the employment growth in some high-risk industries, the slight decrease in the provincial injury rate is noteworthy for all workplace participants and WorkSafeBC. The decrease was not limited to wage-loss claims of relatively short duration; improvements were also noted in claims of short, medium, and long duration.

The continued expansion of B.C.'s economy has generated a greater demand for workers. As a result, more unskilled, new, and young workers are entering the workforce. This is especially prominent in the construction industry, which has an injury rate double the overall provincial rate. The overall injury rate also reflects pressure on other industries to meet the demands of a strong economy. In light of these factors and the 2007 result, WorkSafeBC has increased its target for 2008 (from 3.03 or less, reported in last year's annual report) and has maintained targets for subsequent years at 3.0 or less.

During 2007, the number of accepted claims for single-incident fatalities dropped by 9.1 percent.[9,10] The number of fatalities decreased as well, from 160 in 2006 to 139 in 2007, including 71 fatalities related to occupational disease — 50 of which were related to exposure to asbestos. While any number of fatalities is unacceptable, compared with 2006 and with averages for previous decades, the incidence of fatalities was lower in 2007.

In relation to the overall number of claims received and accepted by WorkSafeBC each year, the number and rate of fatal injuries is relatively low. Traumatic fatal injuries are at an all-time low; however, fatalities related to exposure to asbestos 20 to 50 years ago are on the rise.

Early indications show that our current programs are having an impact, not only on reducing the injury rate in a period of strong economic growth, but more importantly on reducing the number of fatalities across high-risk sectors.

WorkSafeBC's partnerships with industry safety associations continue to show favourable results. In forestry, the focus continued to be on consultation and communication, safety incentives, and the enforcement of owner/contractor/worker obligations under the *Workers Compensation Act* and the Occupational Health and Safety Regulation. In 2007, the number of claims for single-incident fatalities in forestry dropped by 17 percent.

Through its partnership with WorkSafeBC, the construction industry is also making positive strides. Although the incidences of injury in construction are still among the highest of all high-risk industries, the total number of injuries dropped by 5.8 percent in that sector during 2007. While WorkSafeBC recognizes the decrease as an achievement, the organization believes significant effort is still required to reduce the overall number and duration of construction-related claims.

Major programs and strategies

WorkSafeBC's first priority continues to be health and safety. To help instill a strong safety culture in every workplace in B.C., WorkSafeBC makes health and safety the driving force in every contact, across all lines of business. To achieve its mandate, WorkSafeBC relies on the following three-pronged approach: enforcement, consultation and education, and incentives.

Enforcement — WorkSafeBC ensures employers adhere to the requirements of the *Workers Compensation Act* and the Occupational Health and Safety Regulation and related policy by conducting workplace inspections and applying written orders, penalties, and warnings. In 2007, WorkSafeBC conducted 29,893 workplace inspections and applied 221 penalties to firms that violated the Act and the Regulation. Written orders increased by 12 percent.

Consultation and education — WorkSafeBC works in partnership with employers, workers, labour, and other stakeholders to improve workplace health and safety outcomes in B.C.

Incentives — The organization provides financial incentives for workplace health and safety, return-to-work programs, and demonstrated improvements to safety performance.

The Prevention Injury Reduction Strategy encompasses WorkSafeBC's main activities in the areas of enforcement, consultation and education, and incentives. Through the strategy, WorkSafeBC focused on the following activities in 2007.

High-risk strategy

This strategy identified high-risk classification units,[11] enabling WorkSafeBC to reallocate resources to areas where they are most needed. WorkSafeBC focused on 132 classification units in seven high-risk industries.

In 2008, the organization will continue to direct safety resources to high-risk classification units where the risks are greatest: primarily in construction, health care, manufacturing, and forestry.

Partnerships with safety associations

WorkSafeBC currently funds 10 industry safety associations. Proposals for four new safety associations are currently under development. WorkSafeBC provides funding to 28 distinct safety-focused organizations, all of which foster industry-based safety partnerships and initiatives.

Partners in Injury and Disability Prevention

This program provides opportunities for employers to receive rebates on WorkSafeBC premiums after they pass an external audit and certification of their safety management program. Six safety associations are currently acting as certifying partners for their industries. Seven other associations have expressed interest in becoming certifying partners in the future.

Account management

In B.C., 1 percent of all employers incur more than 50 percent of all claims. WorkSafeBC is trying to reach these employers through programs like account management and Focus on Safety. Under the account management program, 10 account managers work with 635 firms to help them reduce their rates of injury and enhance their disability management programs. The account management program was short-staffed in 2007, which affected service levels. Recruitment is ongoing to fill vacancies.

Focus on Safety

Under the Focus on Safety program, account managers and prevention officers work with firms that have a disproportionately negative influence on the provincial injury rate. The program aims to help these firms establish and maintain health and safety management systems and reduce the number of injuries occurring at their worksites.

Outreach

WorkSafeBC's outreach program is multi-faceted and designed to foster safety across all B.C. workplaces and communities. The key elements include:

- Community forums that bring local employers together with area office staff to discuss safety matters and WorkSafeBC services
- Safety booths at industry trade shows, speaking engagements, and education sessions
- Awards that recognize safety innovation and encourage information sharing
- Initiatives targeting youth, including public speaking events at schools and the Raise Your Hand campaign which centres on a web site that urges young workers to ask questions about safety in the workplace
- Safety-related articles and educational materials that are distributed widely
- Twenty-six frequently accessed safety videos, including one in Punjabi, available at WorkSafeBC.com. During a one-month period, five construction safety videos were viewed more than 20,000 times on the popular web site YouTube.com
- A broad range of WorkSafeBC publications, some of which are available in several languages

Response

Each year, WorkSafeBC fields calls from individuals reporting workplace hazards. In 2007, more than 12,000 such calls were made to five response desks across the province. While many hazard issues can be resolved over the phone or by dispatching officers, there are times when issues are so urgent and compelling that they require stronger measures.

In 2007, the risks posed to workers being transported to and from farms became a critical issue when a vehicle transporting farm workers in the Fraser Valley rolled over, killing three workers and seriously injuring others. This event led to WorkSafeBC conducting targeted inspections of farm worker transportation vehicles in partnership with the Ministry of Transportation (Commercial Vehicle Safety and Enforcement), the Ministry of Labour and Citizens' Services (Employment Standards), and the federal and municipal police. Together, WorkSafeBC and its partners performed 180 roadside inspections over nine days. Due to such contraventions as poor mechanical safety, seat belt violations, and vehicle overloading, 67 vehicles were taken off the road.

Looking ahead

In light of the 2007 result, the 2008 injury rate target reported in WorkSafeBC's 2006 annual report and service plan has been adjusted from 3.03 or less to 3.04 or less. However, WorkSafeBC has maintained its 2009 target at 3.00 or less.

These targets will not be achieved easily. While a growing economy with new industries and jobs is good news for British Columbians, safety must be a priority. The workforce composition is changing, new health and safety issues are emerging, and non-traditional employer/worker relationships continue to evolve. As a result, WorkSafeBC is undertaking a number of new initiatives to address changing workplace health and safety needs. It will take the continued efforts of employers, labour, business, workers, and others — all working together — to make B.C. workplaces safer and healthier.

Despite economic changes that impact the mix of industrial activity and the overall provincial injury rate, WorkSafeBC will continue to focus on reducing injury rates among sectors and employer groups that incur a higher-than-average number of injuries. By focusing on these key groups, the organization will have the greatest impact on the highest number of workers.

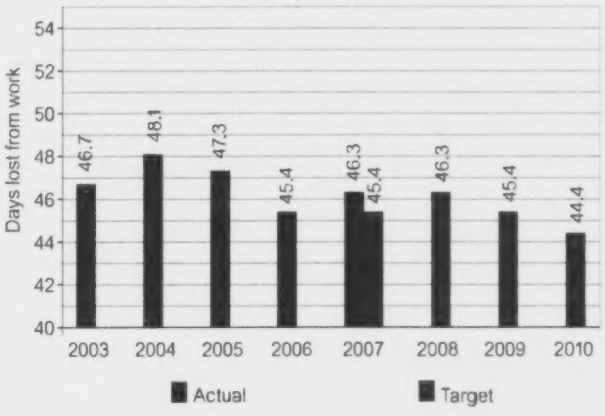
WorkSafeBC will continue to focus prevention resources on seven of the highest-risk industry sectors: construction, forestry, fishing, oil and gas, manufacturing, transportation, and health care. Customized prevention strategies, tailored to the unique characteristics of each of these high-risk sectors, have been developed and will continue to be implemented throughout the year. WorkSafeBC will be paying particular attention to residential housing construction, health care, manufacturing, and forestry, which all continue to have high numbers of injuries.

In addition, WorkSafeBC will maintain its focus on new and young workers and occupational diseases, and will leverage its partnerships with key business and labour stakeholders to increase each sector's ownership of and responsibility to the reduction of illness and injury. Providing safety education to workers in their mother tongue will become more critical as the Canadian Temporary Foreign Guest Worker program expands. To respond to the diversity of B.C.'s workforce, WorkSafeBC will continue to work with partners to develop programs across all sectors, tailored to the needs of foreign workers.

WorkSafeBC will also continue to support prevention education and awareness initiatives in 2008, including a comprehensive targeted communication plan. To help transform attitudes, beliefs, and behaviours surrounding health and safety on the job, the multi-year plan incorporates multiple communication channels, including speeches, direct mail, advertising, community events, and multimedia. The strategy's underlying goal is to create a culture of safety and make occupational health and safety a primary concern for all British Columbians.

Key objective/performance indicator #2: Reduce the average short-term claim duration

Average short-term claim duration



Importance

The average short-term claim duration is the average number of days lost from work.[12] When an injury occurs, WorkSafeBC's claim management team works to provide clinical and return-to-work services to the worker. Experience has shown that it is beneficial for a worker to return to his or her workplace as soon as safely possible. The longer a worker is away from his or her job, the more difficult it is to return to work.

Setting targets

Short-term claim duration is influenced by many factors including the nature of the injury, the age and gender of the injured worker, and the worker's transferable skills. External factors that also influence duration include the timeliness of treatment and adjudication, the availability of return-to-work opportunities, the general mix of claims accepted by WorkSafeBC, and the volume of claims from specific industry sectors.

The targets established in this area are based on a similar mix of claims over time and reflect the expected impact of changes to WorkSafeBC's systems, resources, and practices for expediting care and improving the efficiency of claim adjudication. In setting targets, WorkSafeBC also considers the general economic climate and the willingness of employers and workers to engage in return-to-work initiatives, workplace modification, and job accommodation.

Performance highlights

In 2007, WorkSafeBC achieved an average short-term claim duration of 46.3 days. While slightly higher than in 2006, and short of the 2007 target of 45.4 days, short-term claim duration was still nearly six days less than in 2000, when it was at a 10-year high of 52.0 days.

The increase in duration of 0.9 days from 2006 was the result of the redirection of claim management resources toward the implementation of a new claim management system. It is anticipated that efficiencies from the new system, once it is fully functional, will result in future savings in duration.

The performance reflects the dedication of staff and the commitment of workers and employers to the return-to-work program. The robust economy in certain regions of B.C. helped to keep duration below previous years' levels. However, this was offset by WorkSafeBC's increasing work volumes, which adversely impacted claim duration. Time lags in training and high staff workloads contributed to the lower-than-projected result.

Major programs and strategies

When an injury occurs, WorkSafeBC is committed to supporting the worker and his or her family to a safe return to work after medical recovery. In 2007, WorkSafeBC employed a number of strategies to assist and support injured workers in their return to work.

Dual-stream process model — This model allows early intervention through return-to-work planning within days of a claim being accepted. It includes the exploration of return-to-work options with the worker, employer, and physician for improved outcomes.

New nurse advisors — Nurse advisors assist with return-to-work planning by supporting injured workers during the first eight weeks of their claims. In 2006, WorkSafeBC hired and trained 15 new nurse advisors. The nurse advisor team began operating at full capacity in 2007.

Staff and professional development — Professional development programs were implemented to help staff enhance their skills, which in turn increased staff's ability and capacity to handle claim volumes. These programs were particularly beneficial to adjudication staff and case managers.

Impact of quality measures — Changes to quality measures have resulted in improved decisions and services, which have had a generally positive impact on short-term claim duration since 2004. This was made evident by a decrease in the number of decisions before the Review Division in 2007. Of these decisions, 71 percent were upheld by the division, and 1.3 percent were overturned because of an error in the application of law or policy (see page 46).

Improved clinical programs — Customized programs met individual workers' needs earlier, thereby reducing wait times.

Account management — Account managers continued to work with 635 firms on return-to-work and disability management programs, which is expected to have an impact on the duration of worker claims and the injury rate. Unexpected staff shortages in this area played a role in the performance falling short of the target for the year.

Segmentation — This initiative has resulted in improvements to return-to-work programs due to greater industry knowledge. Through segmentation, WorkSafeBC staff work with labour and employer partners to overcome barriers to return to work in their industries.

Focusing resources — Serious injuries tend to require longer periods of recovery. In 2008, WorkSafeBC will allocate additional resources to identifying the sources and causes of these injuries in order to reduce both their frequency and their impact on workers — including the duration of their disability.

Looking ahead

Historically, WorkSafeBC's target projections have been based on certain assumptions — relatively stable economic growth, a full complement of staff, and improvements to technology and business processes, for example. In recent years, these factors have proven to be more dynamic than the organization envisioned. As a result of its experience and the impact of change on its operating environment, WorkSafeBC has adjusted the targets for this performance measure to more modest levels than those reported in last year's annual report. The targets for 2008 and 2009 have been adjusted upward, and the target for 2010 is based on these new projections.

While WorkSafeBC anticipates future increases in claim volume due to strong economic growth across B.C.'s workforce, the organization expects to maintain the short-term claim duration at 46.3 days in 2008, and to reduce this further in the years ahead.

In 2008, WorkSafeBC will be implementing the Claims Management Solution (CMS) initiative, which could temporarily affect the organization's ability to meet service levels (see page 24).

CMS is the largest technological change ever undertaken by WorkSafeBC. Therefore, it will take considerable effort for the organization to test this new technology and meet the training needs of employees. As a result, service indicators will be temporarily affected.

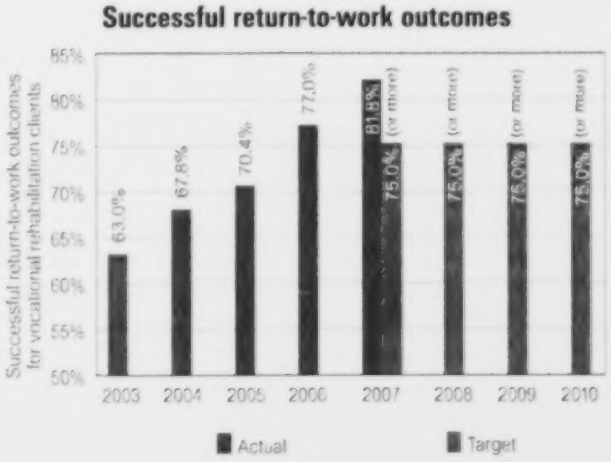
In addition, if the volume of claims continues to rise and/or there is a change in the mix of claims, reaching aggressive targets in short-term claim duration may present challenges for the organization. A large increase in claims from the construction sector, for example, could affect duration because construction workers typically experience more severe injuries and higher-duration claims. To mitigate this risk, WorkSafeBC has been focusing its prevention activities on reducing the overall number of work-related injuries and illnesses in high-risk sectors such as construction, and allocating additional resources to reduce the most serious injuries and thus improve claim duration.

In 2008, WorkSafeBC will continue to operate an early intervention model, which allows WorkSafeBC nurse advisors and, if necessary, vocational rehabilitation consultants to get involved in the claim process earlier than before. Their work with employers also helps reduce claim duration through the proactive implementation of return-to-work programs and disability management systems. Over time, this approach, implemented in 2005, is expected to improve return-to-work outcomes and further reduce average short-term claim duration.

WorkSafeBC will continue to strengthen its partnerships with individual employers and industry associations to build increased capacity for successful return to work.

Key objective/performance indicator #3:

Improve return-to-work outcomes for workers in vocational rehabilitation



Importance

Successful return-to-work outcomes for workers is what vocational rehabilitation is all about. Many workers with catastrophic, severe, and complex injuries are unable to return to work without assistance. Typically, 5 percent of all injured workers who have wage-loss claims — approximately 3,000 workers a year — are referred to Vocational Rehabilitation Services for return-to-work services such as counselling, vocational assessment, knowledge and skill development, and job placement. To measure the effectiveness of its efforts, WorkSafeBC tracks the number of successful return-to-work outcomes as a percentage of all return-to-work referrals concluded by Vocational Rehabilitation Services each year.

Setting targets

WorkSafeBC strives to return all injured workers to lasting employment as soon as it is safely possible. However, since workers referred to the vocational rehabilitation program often have extremely complex injuries with a low probability

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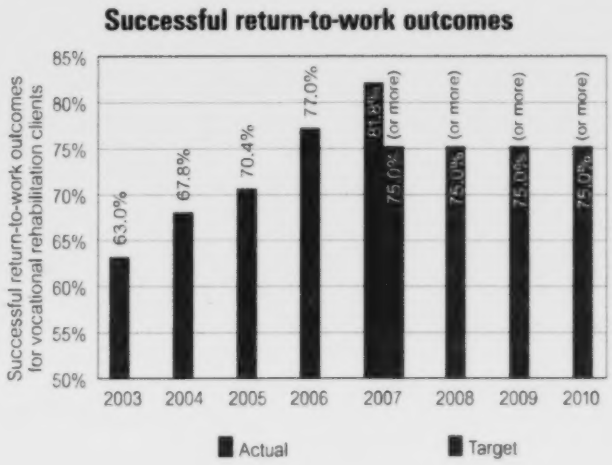

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Setting targets

WorkSafeBC strives to return all injured workers to lasting employment as soon as it is safely possible. However, since workers referred to the vocational rehabilitation program often have extremely complex injuries with a low probability

of successful return to work, it is unlikely that this measure will ever reach 100 percent. Some studies suggest that a success rate between two-thirds and three-quarters of all referrals is achievable. WorkSafeBC's current targets reflect management's best estimates of the expected outcomes of current programs and strategies (assuming a relatively similar mix of claim referrals from year to year).

Performance highlights

In 2007, WorkSafeBC achieved a return-to-work success rate of 81.8 percent. The result, well above the target for the year, is attributed primarily to buoyant economies in certain regions of the province. Vocational rehabilitation consultants helped 1,900 workers return to suitable employment, about half of whom returned to work with new employers or became self-employed.

While this is the second consecutive year in which results have exceeded targets, WorkSafeBC continues to maintain its performance targets at 75 percent or more, as expressed in prior annual reports. Considering the current projections for a more moderate economic landscape in 2008, WorkSafeBC believes this target level is still appropriate for 2008 through 2010. In fact, according to some studies, this target is still at the higher end of the spectrum.

Major programs and strategies

WorkSafeBC works closely with injured workers, physicians, employers, unions, and others to create return-to-work programs customized to meet workers' unique needs. Programs and services may include vocational counselling, return-to-work planning, worker/employer mediation, work assessment, worksite/job modification, job search and placement assistance, and help with training and education.

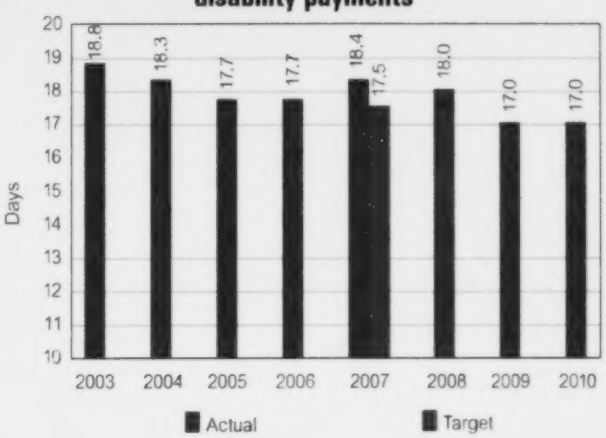
Whenever possible, WorkSafeBC strives to return injured workers to work with their original employers — either in the same job, a modified version of the same job, or a similar role. If this is not possible, WorkSafeBC's Employment Development and Placement (EDAP) program offers other employment options. EDAP helps WorkSafeBC vocational rehabilitation consultants and their clients identify new job opportunities and offers employers incentives to help offset the costs of hiring and training return-to-work employees. These incentives can include a brief and fully funded work assessment, a cost-shared on-the-job training program, worksite modifications, and/or tuition costs for job-related courses.

Looking ahead

When the economy is healthy, there is a significant demand for skilled resources. This demand was a major contributing factor to return-to-work success in 2007. Since this trend may or may not continue in the years ahead, WorkSafeBC's future targets for return to work are lower than the results achieved in 2007 (see "Setting annual targets," page 23). However, WorkSafeBC is confident that it can maintain high return-to-work outcomes; this will be achieved through continued early intervention and an expansion of incentive programs that encourage employers to take a more proactive role in the return-to-work process. WorkSafeBC is aiming to achieve a return-to-work success rate of 75 percent or more in 2008, and to maintain that rate through to 2010.

Key objective/performance indicator #4: Improve timeliness of initial short-term disability payments

Timeliness of initial short-term disability payments



Importance

Many injured workers rely on timely payment of their benefits to sustain themselves and their families until they are able to return to work. To measure the timeliness of initial short-term disability payments, WorkSafeBC calculates the average interval between the disablement date (the first day an injured worker is entitled to wage-loss benefits) and the date the first payment is made. WorkSafeBC strives to get disability payments to injured workers as quickly as possible, without compromising the integrity of the adjudication process. However, payment times can be affected by a number of external factors, such as the length of time it takes

workers, employers, and health care providers to register their information with WorkSafeBC.

Setting targets

WorkSafeBC generally aims to keep timeliness in the range of 17 to 18 days (based on the current mix of claims), which builds in adequate time for proper investigation and the determination of entitlement. This range is based on WorkSafeBC's desire to maintain regular biweekly payments for the worker from the time a claim is first reported, which the *Workers Compensation Act* stipulates must be within three days of the incident.

Performance highlights

In 2007, overall timeliness increased marginally by seven-tenths of a day to 18.4 days. To provide a context for the 2007 result, it is important to note that the volume of claims registered with WorkSafeBC in 2007 increased by about 1.1 percent over 2006, continuing a trend that began in 2005. Adding to the pressure of dealing with increasing claim volumes are the internal preparations underway for the implementation of a new claim management system. As resources continue to be diverted toward testing and business-readiness activities in 2008, the achievement of timeliness targets will be a challenge. It is anticipated that this is a temporary situation that will recover once the system is fully implemented.

In addition, recent experience, the operating context, and projections for the future have prompted WorkSafeBC to review targets previously stated in its annual reports and service plans. Last year, WorkSafeBC set the 2008 and 2009 targets at 17 days. The 2008 target has now been adjusted to 18 days, while targets for 2009 and 2010 remain at 17 days.

Major programs and strategies

During 2007, WorkSafeBC completed its province-wide launch of Teleclaim (see page 104), a new service centre that workers can call to report injuries and receive assistance with recovery and return to work. Teleclaim aims to streamline injury reporting, entitlement decisions, disability management services, and the processing of wage-loss payments for injured workers.

Account management continues to serve as a major program to help improve performance. Account managers work closely with employers to educate them on injury reporting responsibilities and improve the timeliness with which they register claims. There are now 635 firms that work with assigned account managers. Staff shortages affected service levels in 2007.

Looking ahead

In 2008, WorkSafeBC is aiming to improve the timeliness of initial short-term disability payments to injured workers to an average of 18 days, and by 2009 the goal is to achieve an average timeliness of 17 days.

Through extensive surveying, WorkSafeBC asked injured workers what constitutes timely first payments. Survey results show that workers expect to receive their first payments within two to three weeks of their injuries. Satisfaction results remain relatively flat during that time period; however, dissatisfaction tends to increase beyond three weeks. Given WorkSafeBC's operational pressures, targets are set in the mid-range, from 17 to 18 days.

WorkSafeBC will continue to look for opportunities to improve timeliness through quality enhancement projects, training initiatives, and system improvements.

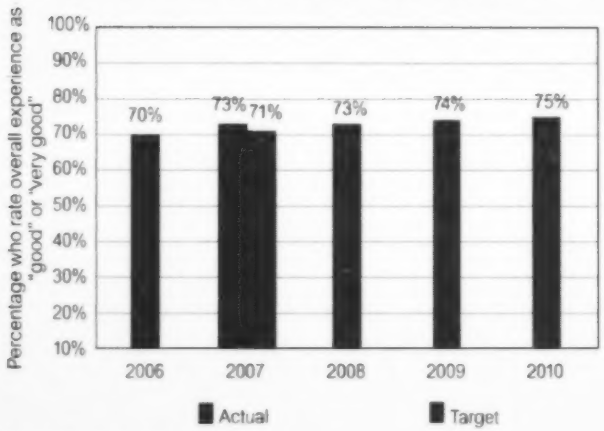
One of these improvements is the implementation of the Claims Management Solutions (CMS) initiative, which is designed to improve service to injured workers and employers across many performance areas (see page 24). However, it will take time to fully operationalize the new system, which, in turn, may temporarily affect the timeliness of short-term disability payments.

The availability of Teleclaim province-wide should improve the organization's ability to receive accurate claim information from workers in a timely manner. This should also help facilitate the timely reporting of claims and consequently improve the timeliness of initial short-term disability payments. In addition, through Teleclaim, WorkSafeBC will be introducing translation services to injured workers in more than 170 languages. This, in turn, will help to increase the accuracy of claim information and reduce service delays.

WorkSafeBC will continue to implement pre-emptive strategies to educate workers, employers, and medical providers on their reporting responsibilities. And to help stem the tide of incoming claims, WorkSafeBC is continuing its prevention focus across key areas, including residential housing construction, health care, forestry, manufacturing, and other high-risk industries.

Key objective/performance indicator #5: Improve injured workers' rating of overall experience[13]

Injured workers' rating of overall experience



Importance

WorkSafeBC strives to meet or exceed injured workers' needs by delivering timely, supportive, and compassionate service. To measure performance in this area, WorkSafeBC conducts an annual random survey of injured workers to gauge their impressions of WorkSafeBC and the level of service provided by its staff.[14] The main indicator of success is how injured workers rate their overall experience with WorkSafeBC. The measure is rated on a 5-point scale, from very poor to very good. Success is determined by the percentage of injured workers who rate their overall experience as good or very good.

Setting targets

WorkSafeBC has a mandate to provide fair compensation for workplace injury, illness, disease, and death within the boundaries set by law and policy. Given the adjudicative nature of this mandate, it is unlikely that all injured workers will agree with all decisions made on their claims. Also, there are aspects of return-to-work planning that can become more challenging as claim duration increases. Therefore, not all injured workers will rate their overall experience as good or very good in every case. WorkSafeBC is committed to delivering excellent service, but realistically expects peak performance to be around 75 percent good or very good. WorkSafeBC's targets in this area reflect the anticipated impact of new service-related initiatives and challenges in the years ahead.

Performance highlights

In 2007, 73 percent of injured workers rated their overall experience with WorkSafeBC as either good or very good, which was up from 70 percent in 2006 and 2 points higher than the target of 71 percent for the year. The increase was achieved despite a continued rise in claim volume, particularly from high-risk sectors like construction.

Injured workers in the initial stages of the claim process generally gave WorkSafeBC higher marks. In 2007, 87 percent of injured workers in initial adjudication rated their overall experience as good or very good, up from 79 percent in 2006. Injured workers in this group also gave WorkSafeBC staff higher marks for clearly describing reasons, clarifying the next steps in the claim process, and providing caring and compassionate service.

Injured workers in other stages of the claim process generally gave WorkSafeBC the same or slightly lower overall experience marks. In entitlement, 63 percent of injured workers rated their overall experience as good or very good, which was unchanged from 2006. In case management, 59 percent of injured workers rated their overall experience as good or very good, which was down slightly from 61 percent the year before. Injured workers in both areas were generally less satisfied with their claim decisions, but they gave WorkSafeBC staff higher ratings in a number of other areas, such as providing caring and compassionate service.

Major programs and strategies

In 2007, WorkSafeBC expanded its Teleclaim service, a new phone-based system that makes it quicker and easier for workers to report injuries (see page 104). Previously, to report a wage-loss injury, workers had to complete an application for compensation and submit it to WorkSafeBC. With Teleclaim, workers can simply phone the centre to report their injuries and speak directly with WorkSafeBC representatives.

Teleclaim was initially introduced on Vancouver Island in October 2006, and coverage was expanded to the rest of the province in 2007. By the end of the year, about one-third of wage-loss claims were initiated through Teleclaim. WorkSafeBC is aiming to increase Teleclaim uptake over the next year. Eventually, the program will be expanded so that all claim reporting can be done by phone.

In 2007, WorkSafeBC continued to refine its Voice of the Customer program — a comprehensive stakeholder feedback strategy designed to identify the areas of service most important to employers and injured workers (see page 104). As part of the program, WorkSafeBC introduced a new

monthly survey —the Operational Pulse Check, or OPC. The OPC allows WorkSafeBC to measure how injured workers rate nurse advisors, entitlement officers, and case managers in a number of service areas. The aim is to provide each WorkSafeBC office with a quick and easy way to track its service ratings, identify areas of strength, and highlight opportunities for improvement. Feedback garnered through the OPC is helping to inform and drive service enhancement throughout the organization.

In the area of return to work, WorkSafeBC completed delivery of its Return-to-Work Toolkit training program. By early 2007, case managers, nurse advisors, and vocational rehabilitation consultants in all WorkSafeBC offices had attended the two-day workshop. The training helps staff gain a better understanding of what motivates injured workers to return to employment, and helps staff engage injured workers as active participants in return-to-work planning.

During the year, WorkSafeBC also introduced This Means That, a new training program for entitlement officers. The week-long professional development course is aimed at helping entitlement officers to better explain their claim decisions — something injured workers have identified as a top service priority.

Looking ahead

WorkSafeBC's Claims Management Solutions (CMS) project will have a major effect on all claim processing over the next few years (see page 24). The long-term benefits for injured workers will include faster decisions on routine claims and greater staff availability for more complex claims, but there will likely be some service disruption in the short term.

In the past, when WorkSafeBC underwent comparable levels of change, it took time to train staff on the new business processes, and customer service ratings fell as a result. CMS will provide similar challenges. Over the next year, all claim-processing staff will need to be trained on CMS and become comfortable with the new system before injured workers can begin to notice improvements.

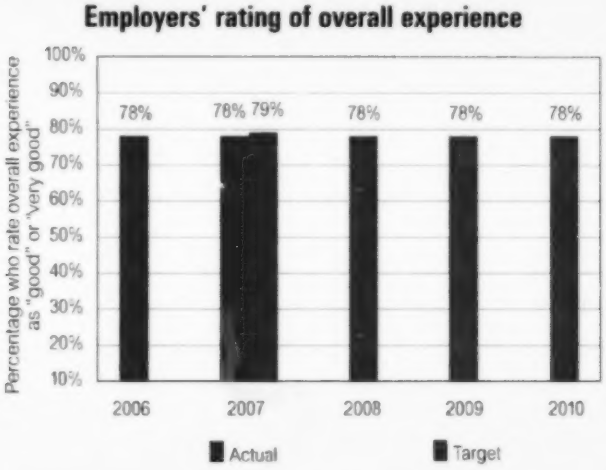
Continued growth in B.C.'s economy, accompanied by a higher volume of claims, could pose additional service challenges. WorkSafeBC was able to manage the increase in volume in 2007, but service quality could suffer if claim volume rises significantly in 2008. WorkSafeBC is taking steps to mitigate this risk by hiring additional claim staff and focusing its prevention efforts in B.C.'s highest-risk industry sectors (see page 29).

In 2008, WorkSafeBC will expand its OPC surveys to better understand how to meet injured workers' needs — particularly in the most complex and challenging areas of claim processing. In addition to measuring service in areas like entitlement and case management, the surveys will include feedback from injured workers with claims that are 120 days or more in duration. These workers usually require a high level of assistance and support, yet they typically give WorkSafeBC lower overall experience ratings. The OPC will help WorkSafeBC better understand these workers' expectations, laying the groundwork for potential business changes.

The result for 2007 was higher than projected, prompting WorkSafeBC to re-evaluate the 2008 and 2009 targets reported in last year's annual report. In that report, the organization targeted a 72 percent rating of good or very good for 2008, and a 73 percent rating for 2009. Since WorkSafeBC achieved the 2009 target in 2007 — earlier than anticipated — the organization has increased the 2008 target to 73 percent.

Once CMS is fully in place and staff have had time to adjust to the changes, WorkSafeBC is aiming to improve overall experience to 74 percent in 2009, and 75 percent in 2010.

Key objective/performance indicator #6: Improve employers' rating of overall experience



Importance

WorkSafeBC is committed to providing excellent customer service to employers through its core functions of prevention, assessment, and compensation. To measure performance in these areas, WorkSafeBC conducts an annual random survey of employers who have had two or more claims in the period between June 1 and August 31, 2007. The key indicator of success is the overall experience measure, which reflects employers' overall satisfaction with the claim process, inspections, premiums, and WorkSafeBC as a whole.

Employers are asked to rate their overall experience with WorkSafeBC as very good, good, poor, or very poor. Success is determined by the percentage of respondents who rate their overall experience as good or very good.

Setting targets

In setting its overall experience targets each year, WorkSafeBC takes into account prior performance as well as forecasted operational challenges (e.g., projected volume of work, availability of staff). Given the state of these factors, and considering WorkSafeBC's regulatory and adjudicative mandate, it is unrealistic to expect that all employers will rate their overall experience as good or very good. In the current environment, WorkSafeBC estimates peak performance in this area to be a rating of 80 percent good or very good.

Performance highlights

In 2007, 78 percent of surveyed employers rated their overall experience with WorkSafeBC as good or very good.[15] The score equalled WorkSafeBC's previous high from 2006, but was slightly lower than the target of 79 percent for the year.

In the area of premiums, 83 percent of employers felt they received average, good, or very good value for their money. This was a 4-point improvement over the score in 2006 and the highest mark earned since WorkSafeBC conducted baseline surveys in 2005.

In the area of prevention, 62 percent of employers rated the value of workplace inspections as good or very good, a marginal improvement over the score of 61 percent in 2006, but 12 points higher than the baseline score of 50 percent in early 2005.

These gains were offset somewhat by lower ratings in the claim area. In 2007, 54 percent of employers rated the claim process as good or very good, an 8-point decline from the previous year and a return to the baseline levels of 2005. Overall, employers reported lower satisfaction with the decisions made on their claims, the timeliness with which WorkSafeBC made those decisions, and the clarity of reasons provided.

Also, employers who were assigned account managers (see page 29) reported a lower rating of overall experience in 2007 compared with 2006. This was largely due to staffing shortages within the account management program.

Major programs and strategies

In 2007, WorkSafeBC equalled its previous high rating of employers' overall experience, largely due to maturing strategies introduced in recent years. Through the segmentation initiative, for example, employers benefited by being matched with WorkSafeBC staff who understand the issues unique to their specific industry, jobs, and worksites. WorkSafeBC also continued to reach out to employers, provide education and support, and foster new partnerships aimed at improving safety, lowering injury duration, and reducing costs.

WorkSafeBC nurse advisors took a more active role in promoting Graduated Return to Work (GRTW) last year, and the program became more fully entrenched in WorkSafeBC's training and operations.

The GRTW program is a collaborative approach to return-to-work planning aimed at getting injured workers back to work with their pre-injury employer. The program is led by WorkSafeBC nurse advisors, who work with the injured worker, the employer, and medical providers to aid in recovery and foster a successful return to work. For those employers that participate, the benefits are lower future assessment costs and more durable return-to-work outcomes.

The cost of WorkSafeBC premiums is one of the key drivers influencing employers' overall experience, and in 2007 the average published base rate fell by 10.8 percent. To help lower rates, WorkSafeBC targeted high-cost industries with specific programs to improve safety and return to work. WorkSafeBC also hired new safety officers in 2007 to help reduce the injuries (see page 21).

Looking ahead

The key factors that influence an employers' overall experience ratings are then satisfaction with the claim process, workplace inspections, and premium costs. The biggest challenge for WorkSafeBC in 2008 will be the implementation of the Claims Management Solutions (CMS) initiative (see page 24), which will inevitably impact the efficiency with which WorkSafeBC processes claims. In the short term, this will likely result in lower overall experience results.

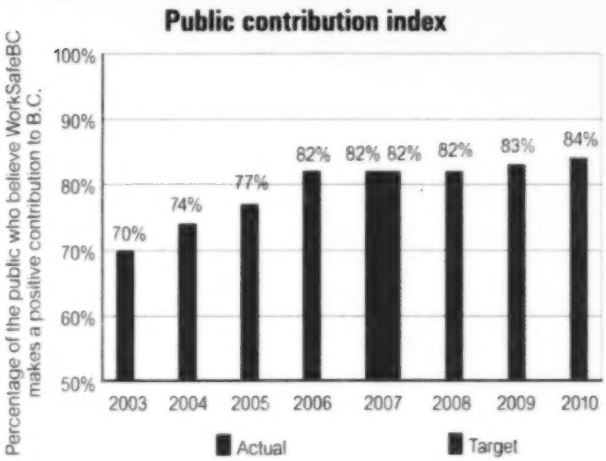
The other key components of employers' overall experience — worksite inspections and premium costs — are predicted to remain relatively stable in 2008. However, a rise in the provincial injury rate and/or a downturn in financial markets could put upward pressure on employers' premium costs over the next few years.

In 2008, WorkSafeBC will continue to work with employers to support improved health and safety and disability management, but rising claim volumes in fast-growing, high-risk industry sectors will continue to challenge WorkSafeBC's ability to deliver service to employers.

In last year's annual report, WorkSafeBC set a 79 percent target of good or very good for 2007, and 80 percent targets for 2008 and 2009. In light of the 2007 result and the emerging issues described above, WorkSafeBC has readjusted its targets — aiming to maintain the current 78 percent result through to 2010. This is a slight reduction from earlier targets, but it is a realistic assessment considering the projected impact of CMS and rising claim volumes.

Key objective/performance indicator #7:

Raise public confidence



Importance

WorkSafeBC strives to be recognized as an asset by all British Columbians and relies on their trust and support to improve workplace health and safety and return-to-work outcomes for injured workers. Increasing public confidence enables WorkSafeBC to deliver its safety message more effectively and build lasting partnerships in support of its strategic goals.

To measure public confidence, WorkSafeBC contracts Ipsos Reid to randomly survey 800 B.C. residents at least four times a year to see how they view WorkSafeBC and its contribution to the province. While various factors are measured, the major indicator of success is the overall approval rating, which indicates the degree to which British Columbians think WorkSafeBC makes a positive contribution to the province.

Setting targets

The public contribution index is a relative measure, with optimal performance defined by the drive to raise the index over a period of years. WorkSafeBC recognizes that it may never reach a 100 percent positive rating, but strives to get as close as possible over time.

Performance highlights

WorkSafeBC's average public contribution rating maintained its all-time high of 82 percent positive in 2007, which met the target for the year. The rating is a continuation of a trend that has seen WorkSafeBC's rating climb steadily from a 51 percent positive rating in 1996.

Major programs and strategies

WorkSafeBC's public contribution rating is not tied to a specific group of programs or initiatives; rather it encompasses all aspects of the organization, including prevention, claim management and adjudication, education, return to work and rehabilitation, financial stability, and more. In essence, the rating is a reflection of everything WorkSafeBC does and a summation of its perceived value and contribution to the community.

WorkSafeBC's numerous public awareness campaigns likely contributed to the high public contribution rating. In 2007, the Raise Your Hand campaign told youth they have the right and the responsibility to ask questions about safety in the workplace. The campaign centred on RaiseYourHand.com, a web site that invited youth from all over the province to visit the site, pledge to work safely, and post their personal experiences of safety in the workplace. In addition, advertising, posters, our young worker speaker program in high schools, and numerous other initiatives presented WorkSafeBC's safety message to youth in graphic and arresting terms.

Looking ahead

WorkSafeBC aims to continue to solidify its public contribution rating of 82 percent positive in 2008, and to reach 83 percent in 2009 and 84 percent by the end of 2010. These targets are lower than those listed in last year's annual report, which showed targets of 82 percent in 2007, 83 percent in 2008, and 84 percent in 2009.

In the years ahead, WorkSafeBC will face escalating demands due to increasing stakeholder expectations and anticipated economic growth in the province. Also, as public confidence in the organization grows, percentage point increases become more challenging to achieve.

There were also high-profile awareness campaigns focusing on safety across a number of industries. Examples include a campaign to promote driving safely through construction sites; TruckSafe, directed at commercial truck drivers; and Day of Mourning, an annual campaign that honours workers who have lost their lives as a result of a workplace injury or occupational disease.

In 2008, WorkSafeBC will continue to engage in hard-hitting campaigns to capture attention and change attitudes and behaviours about workplace safety across all high-risk industries and at-risk demographics. The public release of investigations to highlight lessons learned, and the emphasis on the protection of workers who work alone or in isolation, will also receive a higher profile in 2008. Throughout, WorkSafeBC will continue to reach out to workers, employers, industry associations, labour organizations, and the general public to build shared ownership of and responsibility for occupational health and safety and return to work.

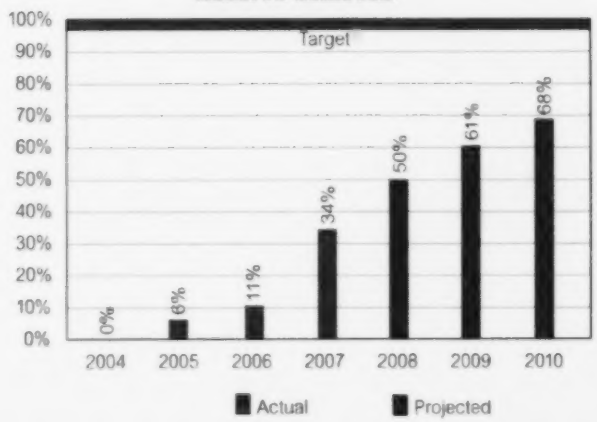
Through these and many other ongoing service initiatives, WorkSafeBC will strive to increase public confidence in the organization and improve the perceived value of the workers' compensation system among all British Columbians.

Key objective/performance indicator #8: Achieve a funding level reflecting 100 percent of the target Capital Adequacy Reserve

Note: In 2007, the Board of Directors approved the establishment of a Capital Adequacy Reserve, which means a major change in the nature of this performance indicator from previous years. In previous years, WorkSafeBC stated its target in this area in terms of the funded ratio, which is the percentage of assets over liabilities (using smoothed investment accounting). Beginning in 2007, WorkSafeBC's target in this area will be based on a formal capital adequacy methodology and the key performance indicator will be the percentage of the Target Capital Adequacy Reserve achieved to date.

The following table shows the historical progression toward the 100 percent target, and projections to 2010.

Percentage of target Capital Adequacy Reserve achieved



Note: The prior-year funding levels, provided for comparative purposes, start with 2004, as this is the year WorkSafeBC adopted fair value investment accounting, which is used in the determination of the target Capital Adequacy Reserve. The 2005 and 2006 percentages reflect the funding of the Investment Fluctuation Reserve, which was replaced by the Capital Adequacy Reserve in 2007.

Background

The Board of Directors sought an external benchmark for determining a suitable funding level for the Accident Fund. The benchmark methodology chosen is that which is used in the insurance sector. Private life and casualty insurers in Canada are legally required by regulators to hold prescribed levels of capital to mitigate against possible adverse circumstances in order to continue operating. These insurers are generally regulated by the federal Office of the Superintendent of Financial Institutions (OSFI). OSFI prescribes minimum capital requirement levels which vary depending on the risk profile of the insurer. In particular, the minimum capital requirement depends on the risk inherent in the assets (e.g., equities require relatively more capital than bonds) and the liabilities (e.g., liability estimates that have greater uncertainty require relatively more capital).

Importance

WorkSafeBC considers that it is, among other things, an insurance organization with significant fiduciary responsibilities to ensure that the system is financially viable. Despite not being subject to regulatory oversight in this area, WorkSafeBC and its Board of Directors believe the organization should strive to maintain capital reserves at a level that provides a comparable degree of security of worker benefits to that required for private insurers regulated under OSFI. In particular, there are approximately 32,000 long-term disability and 5,000 survivor pensioners whose future security is enhanced by maintaining adequate capital reserves.

In addition to providing protection of worker benefits, strong capital reserves also serve the interests of employers by dampening rate volatility arising from either volatility in investment returns or unforeseen costs above those assumed in the liabilities. WorkSafeBC invests in a balanced portfolio (see page 67), which includes equity investments that provide higher long-term returns — and thus lower long-term net employer premiums — but are subject to greater short-term swings in market value. Similarly, the long-term horizon under which liabilities are paid means there could be changes to environmental factors or policies that could result in major cost increases. Capital reserves can be drawn upon to limit employer premium increases when there is a significant downturn in equity values, as occurs periodically, or when significant unanticipated costs arise.

In prior years, the need to protect against market volatility and other asset and liability risk factors was addressed through the establishment of funding-level targets at a level higher than the amount needed to provide for established liabilities. For example, the target for the 2007 Accident Fund funded ratio was set at 121 percent, rather than 100 percent. Targets were reviewed and adjusted annually, based on current conditions at the time; however, a longer-term capital adequacy target had not been established.

In 2007, the Board of Directors addressed this need by establishing a formal Capital Adequacy Reserve target calculated based on the formulas specified by OSFI. This Capital Adequacy Reserve is now part of the organization's total capital requirement, which also includes other required reserves held by WorkSafeBC (which were not included as part of the OSFI prescriptions).

Setting targets

The Capital Adequacy Reserve target for 2007 was determined to be $2,655 million. This represents a target level of 160 percent of the minimum capital requirement determined using the OSFI methodology for property and casualty private insurers. To put this into context, OSFI requires private insurers to maintain levels of at least 150 percent of the minimum capital requirement. In practice, most insurers maintain levels exceeding 200 percent.

Major programs and strategies

The Board of Directors stipulated that the Capital Adequacy Reserve will be funded gradually, over several years, via diversion of a portion of the smoothed basis year-end operating surpluses. To progress toward a funding level equivalent to 100 percent of the target Capital Adequacy Reserve, WorkSafeBC has adopted sound investment policies and practices, prudently manages the employer assessment process, and focuses on reducing claim costs by helping industry achieve lower injury rates and higher return-to-work success rates.

WorkSafeBC maintains a conservative and diversified investment portfolio designed to provide solid investment returns without undue risk to the system. Through this prudent investment strategy, WorkSafeBC provides reasonable assurance that, in the long term, investment returns should cover inflationary increases to benefit liabilities.[16] Over the past five years, ending December 31, 2007, WorkSafeBC's portfolio of investments has produced an average accounting rate of return of 7.9 percent.

Besides investment returns, the other source of income that funds the system is employer premiums. To help ensure the timely and accurate collection of employer premiums, WorkSafeBC works closely with employers to

verify estimated payrolls, confirm amounts receivable, collect overdue accounts, and educate employers on their payment obligations and potential opportunities for savings. WorkSafeBC also investigates employers who default on their payments, and may initiate proceedings that could result in administrative penalties or court-imposed sanctions.

In addition, WorkSafeBC works to reduce claim costs, which account for approximately 98 percent of all liabilities against the Accident Fund. WorkSafeBC partners with workers, employers, industry associations, unions, and other key stakeholders to reduce the incidence of occupational injury, illness, disease, and death (see key objective/performance indicator #1, pages 27 to 30). When these unfortunate incidents do occur, WorkSafeBC aims to resolve the claims in a timely manner and safely return the injured workers to lasting employment — both of which play a major role in reducing claim costs (see key objective/performance indicator #2, pages 30 to 32, and key objective/performance indicator #3, pages 32 to 33).

The strategies for prudent income management and lower claim costs should generate continued operating surpluses to move the Capital Adequacy Reserve toward WorkSafeBC's target of 100 percent.

Looking ahead

The Board of Directors places a priority on maintaining the financial stability and sustainability of the workers' compensation system for the benefit of workers, employers, and all British Columbians. That priority is reflected in this indicator. While the eventual goal for sustainability is to move to 100 percent of the target Capital Adequacy Reserve, that move will be made gradually in recognition of the importance of stability. The targets set through 2010 are intended to move the organization toward the 100 percent goal with sufficient urgency to protect the system against market volatility, but at a pace that will not overly burden stakeholders should the more moderate estimates for economic growth that emerged in early 2008 ultimately transpire.

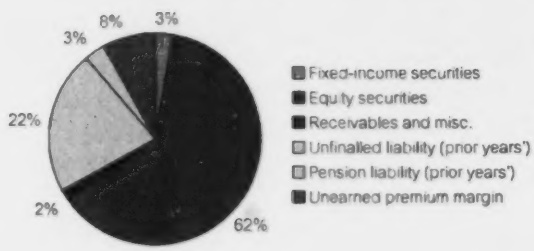
Finally, it should be noted that the above calculation of the target Capital Adequacy Reserve based on the OSFI methodology is in the context of current accounting and actuarial standards, which stipulate that assets are stated on the balance sheet at market value, whereas liabilities are determined using long-term assumptions. However, new International Financial Reporting Standards (IFRS) are currently under development, with implementation for fiscal years beginning on or after January 1, 2011. Under these new IFRS, the determination of the balance sheet liabilities may also have to be on a market value basis. While the exact parameters surrounding this potential change in liability calculation are still under discussion, they may result in a significant increase in the liability. Greater volatility in the liability estimate from year to year would also be likely. Thus, as these new IFRS requirements become more precisely defined in the future, it may be prudent for WorkSafeBC to further strengthen its capital reserves in anticipation of this liability change in 2011.

For 2008 onward, WorkSafeBC's Board of Directors set a funding level of 100 percent of the target Capital Adequacy Reserve as the eventual capital goal to be achieved (in addition to other required reserves). Based on this revised measure, the target Capital Adequacy Reserve and actual Capital Adequacy Reserve achieved at the end of 2007 were as follows:

Target Capital Adequacy Reserve	$2,655 million
Actual Capital Adequacy Reserve	$890 million
Percentage of target achieved at December 31, 2007	34%

The breakdown of the $2,655 million target Capital Adequacy Reserve is shown below:

Target Capital Adequacy Reserve by risk component (OSFI methodology)



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This demonstrates that the bulk of the reserve requirement, 62 percent, is needed to protect against equity market volatility, with the second largest component, 22 percent, being required to mitigate the uncertainty associated with the calculation of the unfinalled claim liability. The unfinalled claim liability involves projecting the runoff of future awards on existing claims. This runoff averages about 20 years with a maximum duration of about 50 years, and thus any liability estimate is subject to significant statistical error over this period due to changes in demographics, policy, medical treatments, etc.

For comparison with the funded ratio performance indicator, the new target capital requirement can also be expressed as an ultimate target funded-ratio level of 136 percent compared with an actual funded-ratio level of 125 percent at 2007 year-end.

Funded-ratio target

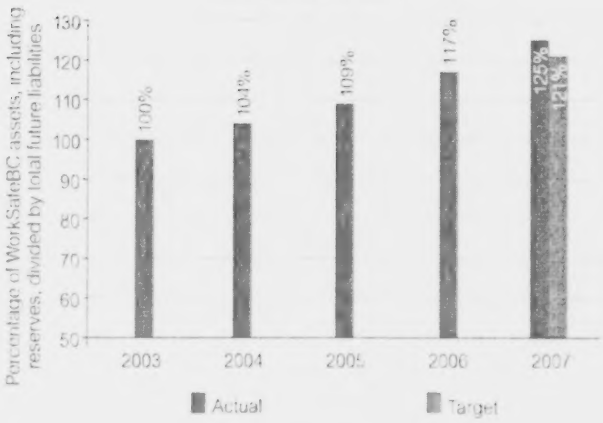
The funding-level target originally set for 2007 was based on the funded ratio, which is the percentage of the Accident Fund assets relative to liabilities (using smoothed investment accounting).

Performance highlights

At the end of 2007, the Accident Fund assets were 125 percent of fund liabilities — above the target of 121 percent for the year, and an increase from the funded ratio of 117 percent at the end of 2006. The improvement in the smoothed value funded status was driven by increases in investment income, which significantly exceeded the actuarial requirements and more than offset the reduction in premium income. In addition, claim costs were lower than planned primarily due to lower long-term disability costs. (Refer to Note 16 of the financial statements for more details.)

The historical progression of the funded-ratio target is shown graphically in the table that follows.

Funded ratio (smoothed investment accounting basis)



Major programs and strategies

For the most part, the programs and strategies that impacted the 2007 funded-ratio target are the same as those identified above for the new Capital Adequacy Reserve target. Sound investment policies and practices, prudent management of the employer assessment process, and a focus on reducing claim costs through lower injury rates and enhanced return-to-work outcomes all contributed to achieving the former funded-ratio target in the same way they will contribute to achieving the new metric.

In addition, to protect against sudden changes to the funded ratio, WorkSafeBC has a policy of smoothing realized and unrealized capital gains and losses over a five-year period. This practice tends to reduce large swings in the funded ratio and employers' premiums, and helps WorkSafeBC stay within the target range. (More detailed information on WorkSafeBC's funding strategy is provided in the Financial Context, beginning on page 12.)

In 2007, these strategies combined to produce a funded ratio of 125 percent, as mentioned above.

This demonstrates that the bulk of the reserve requirement, 62 percent, is needed to protect against equity market volatility, with the second largest component, 22 percent, being required to mitigate the uncertainty associated with the calculation of the unfinalled claim liability. The unfinalled claim liability involves projecting the runoff of future awards on existing claims. This runoff averages about 20 years with a maximum duration of about 50 years, and thus any liability estimate is subject to significant statistical error over this period due to changes in demographics, policy, medical treatments, etc.

For comparison with the funded ratio performance indicator, the new target capital requirement can also be expressed as an ultimate target funded-ratio level of 136 percent compared with an actual funded-ratio level of 125 percent at 2007 year-end.

Funded-ratio target

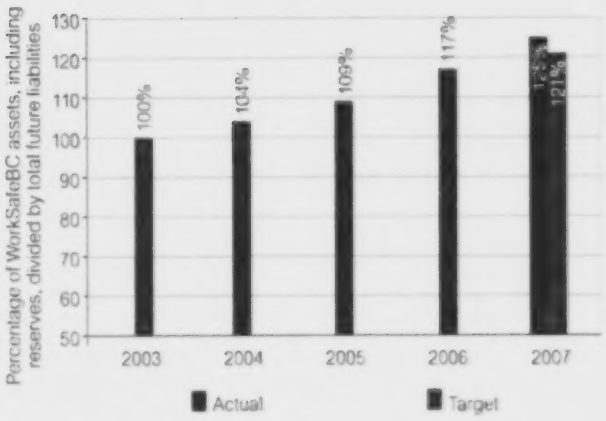
The funding-level target originally set for 2007 was based on the funded ratio, which is the percentage of the Accident Fund assets relative to liabilities (using smoothed investment accounting).

Performance highlights

At the end of 2007, the Accident Fund assets were 125 percent of fund liabilities — above the target of 121 percent for the year, and an increase from the funded ratio of 117 percent at the end of 2006. The improvement in the smoothed value funded status was driven by increases in investment income, which significantly exceeded the actuarial requirements and more than offset the reduction in premium income. In addition, claim costs were lower than planned primarily due to lower long-term disability costs. (Refer to Note 16 of the financial statements for more details.)

The historical progression of the funded-ratio target is shown graphically in the table that follows.

Funded ratio (smoothed investment accounting basis)



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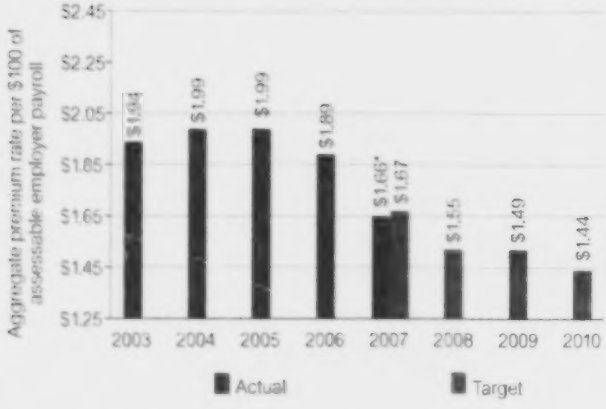
In 2007, these strategies combined to produce a funded ratio of 125 percent, as mentioned above.

Key objective/performance indicator #9:

Attain an aggregate premium rate between $1.25 and $2.25

Note: This measure reflects the overall financial impact of workers' compensation premiums on the assessable payroll of insured employers in British Columbia. The actual premium charged to an individual firm varies depending on its insurance rate group and experience rating. The aggregate premium rate shown here differs from the average base rate that is published each year at the time premium rates are established for the upcoming assessment year. This published base rate is a composite of all the individual industry base rates published in the WorkSafeBC rate and classification list, averaged on the basis of long-term industry payroll growth patterns. The aggregate premium rate differs from this published base rate in that it reflects the actual, rather than a projected, payroll mix by industry. The aggregate premium rate also differs from the published base rate due to imbalances arising from the experience-rating plan and the abatement of pre-2000 surplus and interest to employers. This aggregate premium rate can be viewed as a collection rate in that it reflects the actual final premiums owed by employers for a particular assessment year, expressed as a percentage of the total assessable payroll.

Aggregate premium rate (Rates shown are final for 2003 to 2006 and estimated for 2007 to 2010)[17]



* *The 2007 aggregate rate does not reflect the impact resulting from the special $86-million surplus rebate distributed in 2007. Including this surplus rebate, the aggregate rate is $1.53 per $100 of assessable payroll.*

Importance

WorkSafeBC collects premiums from employers to cover the cost of operating the workers' compensation system. In exchange, employers are protected from lawsuits arising out of work-related injury, illness, disease, and death, and workers receive no-fault insurance for work-related injury and disease. Employers' premiums vary, depending on both the cost of claims in their industry sector and the value of WorkSafeBC's total assets, but WorkSafeBC aims to maintain an aggregate premium rate between $1.25 and $2.25 per $100 of assessable payroll. If the aggregate premium rate goes above $2.25 it can put excessive financial strain on employers, and if it dips below $1.25 it can weaken the long-term financial sustainability of the system (based on current financial conditions).

Setting targets

Across Canada, 2007 premium rates averaged around $2 per $100 of assessable payroll and ranged from $1.43 to $2.75 per $100 of assessable payroll. This variation is due to the mix of industries and benefit levels, as well as the funded status and coverage rules in specific jurisdictions. WorkSafeBC's target range of $1.25 to $2.25 is considered optimal in the present environment (including the present mix of industries), given the funded status range and premium levels in other jurisdictions. If the injury rate falls and injured workers are returned to work quickly, costs will drop — allowing premiums to decline as well.

Performance highlights

The aggregate employer premium rate collected in 2007 was down 12.2 percent from 2006, and is projected to decrease by 6.6 percent in 2008. Rates are then expected to be relatively stable through to 2010.

In 2007, the estimated aggregate premium rate was $1.66 per $100 of assessable payroll, a 0.6 percent reduction from the target of $1.67, and a 12.2 percent decrease from the 2006 aggregate rate of $1.89. The reduction in the aggregate premium rate is in line with the reduction in WorkSafeBC's 2007 published base rate of $1.69, down from $1.90 in 2006.

The aggregate rate of $1.66 reflects another year of rate stability in B.C. and remains among the lowest rates in Canada (see page 100 for more information).

Overall, approximately 78 percent of employers experienced either a reduction or no change in their base premium rates in 2007, while 22 percent experienced an increase.

Major programs and strategies

The aggregate premium rate is driven primarily by claim costs. To help reduce claim costs, WorkSafeBC works with employers, workers, and other key stakeholders to strengthen workplace health and safety; reduce the incidence of

workplace injury, illness, disease, and death; and facilitate safe and durable return to work as soon as possible after injury.

Some of the prevention activities undertaken by WorkSafeBC include educating and consulting workers and employers on key health and safety issues, forging partnerships with industry associations to reduce workplace injury and illness, and reaching out to high-risk industry sectors and groups such as young workers.

Preventing injury and illness is the first and best strategy for reducing claim costs, but when injuries do occur, the single biggest factor that affects claim costs is claim duration. WorkSafeBC has a variety of strategies and programs in place to reduce the duration of claims and return injured workers to employment in a safe and timely manner. Through the assistance of WorkSafeBC vocational rehabilitation consultants, employers, and training organizations, the majority of workers who are referred to WorkSafeBC's vocational rehabilitation program are successful in obtaining suitable new jobs (see page 32 for more information).

Looking ahead

In 2008, the estimated aggregate premium rate will decrease 6.6 percent, from $1.66 per $100 of assessable payroll to $1.55. This will be the lowest aggregate in more than 30 years, and it reflects recent years' trends toward relatively stable injury rates and generally lower duration of injuries.

Base premium rates will decline for 73 percent of B.C.'s registered employers, remain unchanged for 11 percent, and increase for 16 percent in 2008.

Further reductions will depend primarily on a lower injury rate, shorter duration of claims, and a higher return-to-work rate for injured workers, as well as external factors such as the performance of financial markets and the general mix of workers and businesses participating in B.C.'s growth.

Most future indicators are positive; however, a rise in the injury rate, a higher rate of growth among high-risk industry sectors, or an increase in medical costs could put upward pressure on premium rates. To mitigate these and other risks, WorkSafeBC will continue to refine and enhance its prevention initiatives, return-to-work programs, financial investment strategy, and other areas that either directly or indirectly influence premium rates. Taking all such factors into consideration, WorkSafeBC is forecasting an aggregate premium rate of $1.49 for 2009 and $1.44 for 2010.

Supplementary information

In order to determine the aggregate premium rate for the current year, WorkSafeBC must estimate both the premiums and the assessable payroll for the current year. The aggregate rate quoted is then determined to be the premium estimate divided by the assessable payroll estimate, multiplied by 100. The premium estimate also enters into WorkSafeBC's financial statements as a major source of revenue in determining operating results for the current year. The final premiums and assessable payroll for the current year are not fully known until about May of the following calendar year. However, these values must be estimated based on the incomplete data available in January of the following calendar year. The data used includes both revenues received to date by WorkSafeBC and external measures of economic activity in the province of B.C. Given the inherent uncertainty of this process, WorkSafeBC takes a conservative approach to estimating the aggregate rate. Any difference resulting from this estimate is recognized in the financial statements for the following calendar year. The quoted actual aggregate rate is also restated in the following calendar year's annual report.

The following table compares the aggregate rate originally estimated in the annual report for the indicated year with the final aggregate rate as determined in the subsequent calendar year.

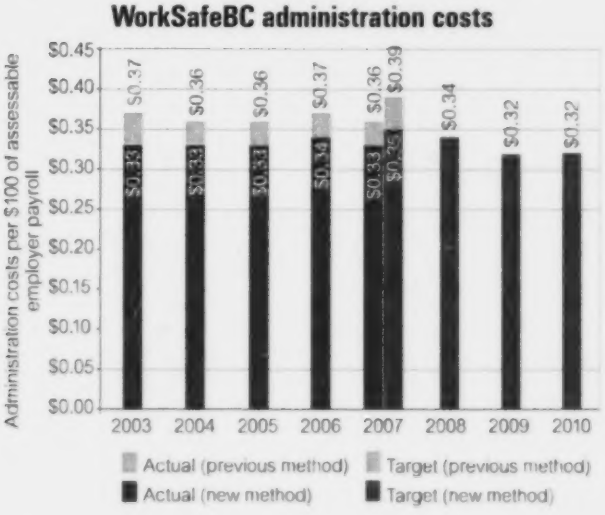
Aggregate rate comparisons

	2002	2003	2004	2005	2006
Estimated aggregate rate at year-end	$1.83	$1.92	$1.96	$1.99	$1.90
Final aggregate rate	$1.88	$1.94	$1.99	$1.99	$1.89
Difference (rate)	−$0.05	−$0.02	−$0.03	$0.00	$0.01
Difference (percent)	−2.7%	−1.0%	−1.5%	0.0%	0.5%

Key objective/performance indicator # 10:

Control administration costs (per $ 100 of assessable payroll)

Note: In order to better compare its results with those of other jurisdictions, in 2007 WorkSafeBC revised its method of calculating administration costs. The graph below shows WorkSafeBC results and targets using both the previous and current calculation methods.[18]



Importance

WorkSafeBC strives to provide value to its stakeholders by delivering the highest level of service in the most cost-effective manner. One way WorkSafeBC measures its effectiveness in this area is by calculating its annual administration costs per $100 of assessable payroll. These costs are one of the key statistical measures collected and reported on by other Canadian workers' compensation organizations (based on a common definition of administration costs, with adjustments made to allow for operating and legislative differences — see page 100 for comparative information).[19] This measure allows WorkSafeBC to compare and monitor the overall cost of administering the workers' compensation system.

Setting targets

WorkSafeBC is committed to optimizing the cost-effectiveness of the services it delivers, but this does not always mean minimizing administration costs. For example, decreasing the number of staff in Worker and Employer Services, the organization's largest division, could lower administration costs but dramatically increase claim costs through longer rehabilitation times and lower return-to-work outcomes for injured workers.

This indicator is sensitive to changes in the economy. If economic growth rates change markedly, there may be lags in the administrative response. If administrative capacity is being managed to meet demands in a growth phase, a decline in economic activity could reduce assessable payroll and increase this ratio; a rapid increase in economic growth can have a reciprocal effect. Targets are set based on the best estimates of economic growth and organizational capacity.

Since all workers' compensation organizations face similar challenges, this measure is designed to track WorkSafeBC's performance relative to the weighted average of other workers' compensation systems in Canada.

Performance highlights

In last year's annual report, WorkSafeBC set the 2007 target at $0.39 per $100 of assessable payroll, which, under the new calculation method, equals $0.35. WorkSafeBC's performance result exceeded that target due to higher than expected increases in assessable payroll and lower than expected increases in administrative expenses. As a result of this and changes to the organization's operating context and method of calculation for administration costs, WorkSafeBC has adjusted its targets for 2008 and 2009. The targets reported in the 2006 annual report have been converted to their equivalent under the new method, and then adjusted downward to reflect better-than-projected results in 2007. (In particular, the 2008 and 2009 targets are each $0.01 lower than previously projected under the previous method.)

Under the new calculation method, WorkSafeBC's administration costs decreased slightly from $0.34 per $100 of assessable payroll in 2006 to $0.33 in 2007. Administration costs have been declining steadily in recent years, since reaching a high of $0.39 per $100 of assessable payroll in 2001.

Major programs and strategies

In 2007, WorkSafeBC undertook a number of initiatives to improve customer service and streamline business processes. These initiatives included the expansion of the Teleclaim service centre, implementation of the centre infrastructure, and introduction of the Prevention Injury Reduction Strategy.

For 2007, WorkSafeBC had originally budgeted for an increase of $33.4 million in administration costs. The actual costs were approximately $7.5 million less than planned.

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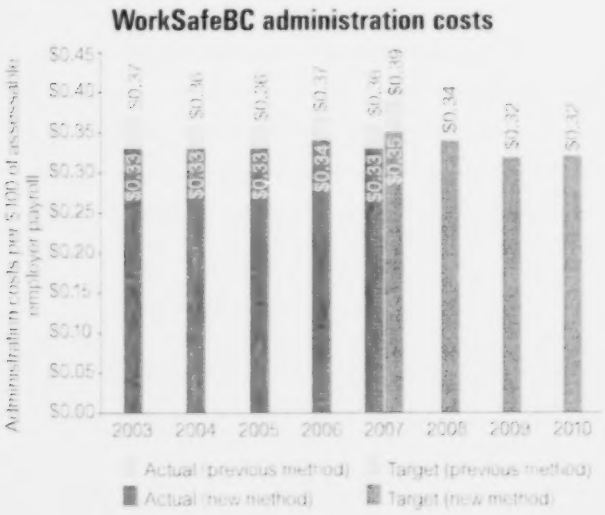

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For 2007, WorkSafeBC had originally budgeted for an increase of $33.4 million in administration costs. The actual costs were approximately $7.5 million less than planned.

primarily because of a decrease in non-discretionary costs that included WorkSafeBC's claim and pension costs for staff. Of the year-over-year increase, $10 million qualified for inclusion in the administration costs measure, per $100 of assessable employer payroll, as defined by the Association of Workers' Compensation Boards of Canada. Assessable payroll rose by $4.6 billion in 2007, helping to keep this key performance indicator below target for the year.

Looking ahead

WorkSafeBC's Board of Directors has approved a $24.3 million (or 7 percent) increase to the organization's operating budget for 2008. The budget increase is necessary to cover non-discretionary increases (e.g., negotiated salary and benefit changes), service improvements, and new strategic initiatives. These new initiatives include hiring additional occupational safety officers for the agriculture sector, increasing support for the investigation of fatal and serious injuries, and increasing capacity to respond to the volume of penalty recommendations.

In addition, the costs approved for 2008 include one-time expenses for the implementation of the Claims Management Solutions (CMS) initiative (see page 24) and expenses related to Teleclaim. Assessable payroll is expected to increase by $4.1 billion, and WorkSafeBC's administration costs are expected to increase from $0.33 to $0.34 per $100 of assessable payroll in 2008 (see "Setting annual targets," page 23).

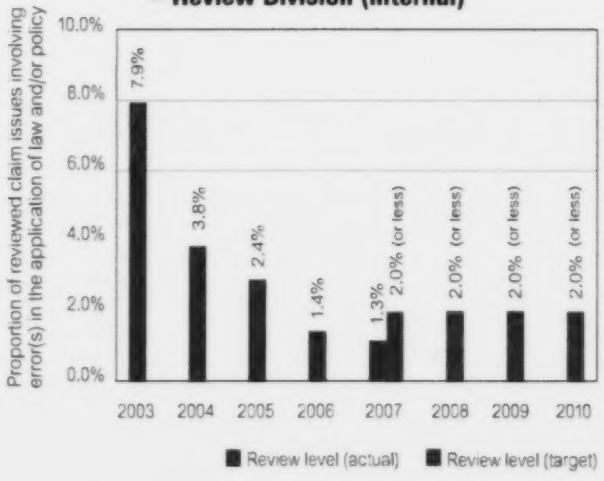
In late 2008, WorkSafeBC will roll out CMS, which will result in administrative efficiencies that will help to lower WorkSafeBC's operating costs in future years (see page 103). WorkSafeBC's Board of Directors and Senior Executive Committee will continue to monitor and evaluate the balance between administration costs and service quality, and to adjust that balance in order to best meet the needs of stakeholders.

Following implementation and a period of assessment and adjustment, CMS is expected to increase the organization's capacity to manage volumes arising from long-term economic growth. Targets for 2009 and beyond have been set with this in mind.

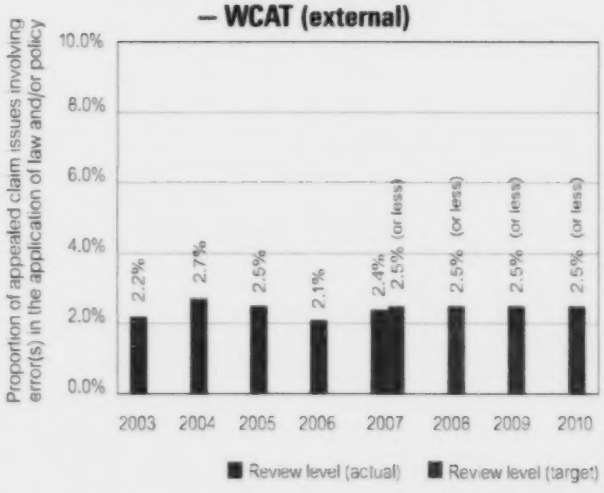
Key objective/performance indicator # 11:

Improve decision making throughout WorkSafeBC, ensuring consistency with legislation and policy

Claim issues leading to overturned decisions due to WorkSafeBC error in law or policy* — Review Division (internal)



Claim issues leading to overturned decisions due to WorkSafeBC error in law or policy* — WCAT (external)



* *The Review Division and Workers' Compensation Appeal Tribunal (WCAT) both came into existence in March 2003, therefore the data for that year is only partial and there is no available data for years prior to 2003.*

Importance

WorkSafeBC employees make thousands of decisions on compensation, prevention, assessment, and rehabilitation matters every working day. The underlying goal is to arrive at the right decision by weighing evidence in a consistent manner and ensuring compliance with applicable law and policy. However, since no law or policy can cover every possible situation, each issue must be decided on its own merits, within the parameters of applicable law and policy.

The vast majority of these decisions are accepted by all those involved, but workers and employers have the right to appeal decisions if they disagree with WorkSafeBC's findings. There are two levels of appeal for most WorkSafeBC decisions. The first is an internal review by WorkSafeBC's Review Division to ensure that disputed issues have been appropriately decided. The second is an appeal to the Workers' Compensation Appeal Tribunal (WCAT), which is a final external level of appeal for the WorkSafeBC matters it is authorized to hear and decide.

Both the Review Division and WCAT are important parts of the adjudicative process. Their findings are an indicator of the overall quality of WorkSafeBC's decisions and may highlight the need for policy reform, enhanced employee training, or further stakeholder education. With this in mind, WorkSafeBC tracks the number of issues at each level of review/appeal that led to overturned decisions due to an error in WorkSafeBC's application of legislation and/or policy.

Setting targets

Upon review or appeal of WorkSafeBC issues, the Review Division or WCAT may reach a different decision on the basis of new information or the reweighing of existing information. This is part of the normal inquiry process and not necessarily indicative of erroneous decision making. WorkSafeBC also tracks the rate of error in the application of law and/or policy — the most objective measure of decision-making quality available.

While an error rate of zero is the ideal target, the realities of staffing, claim complexity, claim volumes, training, timeliness, and coding judgment and precision are barriers to meeting that objective. Therefore, the practical range has been set between 1 and 3 percent for primary WorkSafeBC decisions being reviewed at the Review Division level and Review Division decisions being appealed at the WCAT level. These targets are reviewed annually and may be adjusted to reflect the factors listed above. (See "Setting annual targets," page 23)

The Review Division and WCAT targets outlined in this annual report are consistent with those published in last year's annual report. Targets have been extended through to 2010.

Performance highlights

In 2007, the Review Division reviewed a total of 13,577 issues, relating to 10,579 WorkSafeBC decisions. Of those issues, 175 (1.3 percent) led to overturned decisions due to a perceived error in WorkSafeBC's application of legislation or policy, which was better than the target for the year. WCAT ruled on 5,370 issues relating to 3,946 completed appeals of Review Division decisions. Of those issues, 127 (2.4 percent) led to overturned decisions due to a perceived error in legislation and/or policy.

To put these results in context, the Review Division upheld 71 percent of the issues it reviewed, 19 percent were allowed or allowed in part (decision overturned), and 10 percent were returned to WorkSafeBC (sent back to the initial decision-making division for further determination on the issue). Of the issues allowed or allowed in part (leading to overturned decisions), 62 percent were due to reweighing existing evidence, 32 percent were due to reweighing with new evidence, and 6 percent were due to error in law and/or policy.

Of the appeals completed by WCAT in 2007, 65 percent were upheld and 35 percent were allowed or allowed in part (decision overturned). Of the issues allowed or allowed in part, 73 percent were due to reweighing with new evidence, 20 percent were due to reweighing existing evidence, and 7 percent were due to an error in law and/or policy.

The tables on page 48 provide additional information on the outcomes of the top five groups of issues most often reviewed or appealed in 2007.

Major programs and strategies

To ensure that decisions made under the *Workers Compensation Act* are consistent with appropriate legislation, regulation, and policy, WorkSafeBC undertakes a variety of programs to educate decision makers on appropriate methods of evidence gathering and weighing, decision making, and documentation.

WorkSafeBC also operates quality councils for compensation, prevention, and assessment decision making. These senior-level councils, which include representatives from various areas of WorkSafeBC as well as members of WCAT, review ongoing quality issues and develop recommendations

Review Division — Outcomes of top five issue groups reviewed in 2007 (represents 62 percent of all issues and does not include issues returned for further consideration during 2007)					
Issue group*	Decision upheld	Allowed or allowed in part due to error in law	Allowed or allowed in part due to error in policy	Allowed or allowed in part due to reweighing of existing evidence	Allowed or allowed in part due to reweighing with new evidence
Acceptance of a claim for an injury	2,656	6	29	289	236
Entitlement to a permanent partial disability award	1,539	10	20	186	37
Acceptance of a claim for an occupational disease	1,018	1	4	46	56
Entitlement to compensation for a temporary partial disability	588	2	10	147	66
Reopening of a claim	591	3	2	45	36

**Issue groups have been restated in plain language.*

WCAT — Outcomes of top five issue groups appealed in 2007 (represents 73 percent of all issues heard by WCAT in 2007)					
Issue group*	Decision upheld	Allowed or allowed in part due to error in law	Allowed or allowed in part due to error in policy	Allowed or allowed in part due to reweighing of existing evidence	Allowed or allowed in part due to reweighing with new evidence
Acceptance of a claim for an injury	994	5	12	102	370
Entitlement to a permanent partial disability award	728	25	10	88	417
Acceptance of a claim for an occupational disease	332	3	4	23	166
Reopening a claim	286	6	2	8	67
Entitlement to compensation for a temporary total disability	257	3	1	23	76

**Issue groups have been restated in plain language.*

for change. To complement this strategy, WorkSafeBC maintains working-level teams with organization-wide representation to help identify day-to-day quality concerns and develop and implement immediate and long-term solutions.

WorkSafeBC's Review Division continued its Quality Decision Review program through 2007. The program addresses the quality of the division's decision making, including the correct application of law and policy. Without encroaching on decision-making independence, review officers examine each others' draft decisions and provide constructive feedback before final decisions are released. Similarly, team managers and a quality-assurance group also review selected decisions, either before or after they are issued, to provide feedback and improve the overall quality of Review Division decisions.

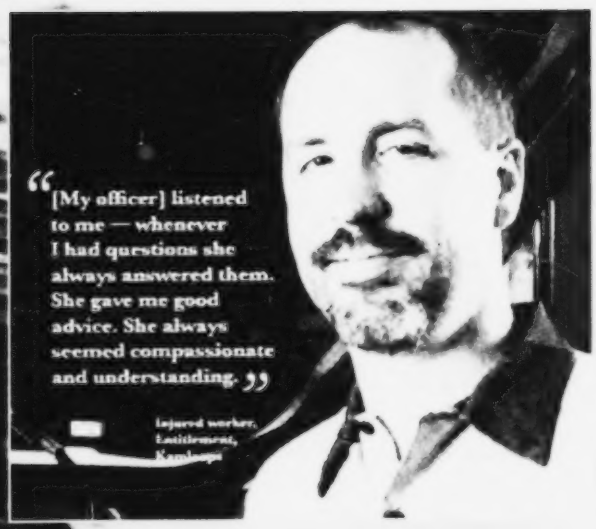
The Review Division's quality-assurance group also conducts in-depth post-decision reviews of decision making in selected subject areas. In 2007, decisions on disability awards, activity-related soft-tissue disorders, and relief of costs were reviewed, as were Review Division decisions with the outcome of "return to WorkSafeBC." Each of these reviews identified opportunities for improved decision making — opportunities that have been implemented or followed up.

In addition to these initiatives, WorkSafeBC continued to develop the Claims Management Solutions initiative, which is planned for release in 2008. While primarily aimed at improving the timeliness and efficiency of work, the new system will, over time, also assist with the quality and consistency of decision making across all levels of the organization (see page 24).

Looking ahead

For primary decisions being reviewed at the Review Division level, WorkSafeBC is aiming to keep the decision overturn rate due to errors in the application of legislation and/or policy at or below 2.0 percent for the next three years. For Review Division decisions being appealed at the WCAT level, the target is to keep the rate at or below 2.5 percent for the same period. Although these targets are less favourable than the results achieved in 2007, they are considered nearly optimal if current trends continue as expected (see "Setting annual targets," page 23).

Of these trends, increased claim volumes, adjustment to new technology, and a growing number of staff retirements will put increased pressure on decision makers, potentially introducing additional errors in the application of law and policy or in the coding of errors. Ongoing training and quality-enhancing initiatives should mitigate this risk, and WorkSafeBC will continue to monitor claim and review volumes and adjust resources where necessary to match organizational capacity with workload demands.


"[My officer] listened to me — whenever I had questions she always answered them. She gave me good advice. She always seemed compassionate and understanding."
Injured worker, Entitlement, Kamloops

Taking cues from the customer experience

In recent years, there's been a paradigm shift at WorkSafeBC. Increasingly, the needs of our customers are shaping the way we do business.

At the heart of this shift is the Voice of the Customer (VOC) program. Introduced in 2005, VOC helps us better engage our stakeholders and improve their overall experience with WorkSafeBC.

Surveys and focus groups with employers and injured workers help us understand what they expect in the way of service. Injured workers, for instance, tell us they value our help with return to work, they expect clear communication about their claim decisions, and they want our staff to treat them with care and compassion.

What we've learned from VOC has created ripples throughout our operations, resulting in a number of changes. Teleclaim, for example, is a new service centre that injured workers can call to report their injuries. Teleclaim makes it faster and easier to report an injury, and provides injured workers with more caring, personalized service from the outset of the claim process.

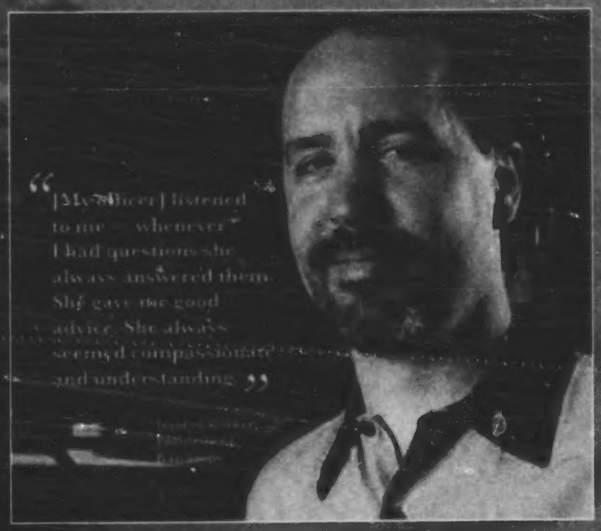
We've also made enhancements in the claim process itself. Now, claims are typically moved from an entitlement officer to a case manager or nurse advisor within 12 days rather than 12 weeks, as was the case in 2005. In addition, WorkSafeBC has hired a number of new nurse advisors and expanded their role so they

...sors working with industry

...can assist injured workers with return to work earlier in the claim process.

Voice of the Customer has also become an integral part of staff training, with the aim of helping staff deliver improved service. All new adjudication staff observe focus groups to see and hear workers' first-hand accounts of their experiences with WorkSafeBC. As well, feedback from VOC is integrated into various levels of training and professional development.

By listening to the Voice of the Customer, we are gaining a better understanding of our customers' needs, which enables us to enhance service throughout our organization.


"[My officer] listened to me — whenever I had questions she always answered them. She gave me good advice. She always seemed compassionate and understanding."

Taking cues from the customer experience

In recent years, there's been a paradigm shift at WorkSafeBC. Increasingly, the needs of our customers are shaping the way we do business.

At the heart of this shift is the Voice of the Customer (VOC) program. Introduced in 2005, VOC helps us better engage our stakeholders and improve their overall experience with WorkSafeBC.

Surveys and focus groups with employers and injured workers help us understand what they expect in the way of service. Injured workers, for instance, tell us they value our help with return to work, they expect clear communication about their claim decisions, and they want our staff to treat them with care and compassion.

What we've learned from VOC has created ripples throughout our operations, resulting in a number of changes. Teleclaim, for example, is a new service centre that injured workers can call to report their injuries. Teleclaim makes it faster and easier to report an injury, and provides injured workers with more caring, personalized service from the outset of the claim process.

We've also made enhancements in the claim process itself. Now, claims are typically moved from an entitlement officer to a case manager or nurse advisor within 12 days rather than 12 weeks, as was the case in 2005. In addition, WorkSafeBC has hired a number of new nurse advisors and expanded their role so they

Nurse Advisors working with

...Working together creates a wave

can assist injured workers with return to work earlier in the claim process.

Voice of the Customer has also become an integral part of staff training, with the aim of helping staff deliver improved service. All new adjudication staff observe focus groups to see and hear workers' first hand accounts of their experiences with WorkSafeBC. As well, feedback from VOC is integrated into various levels of training and professional development.

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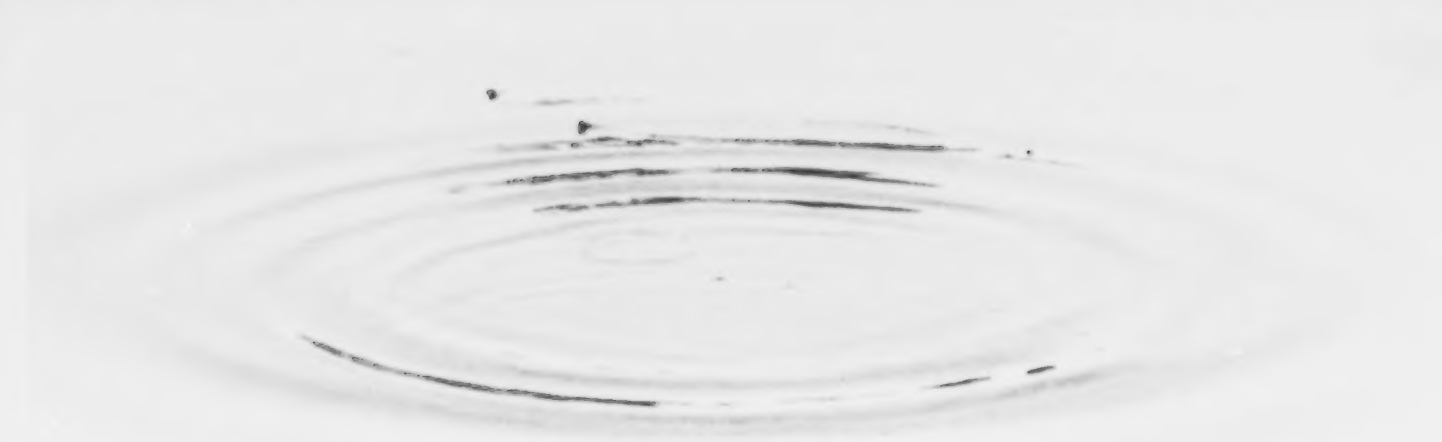


Our Finances

Management Discussion and Analysis

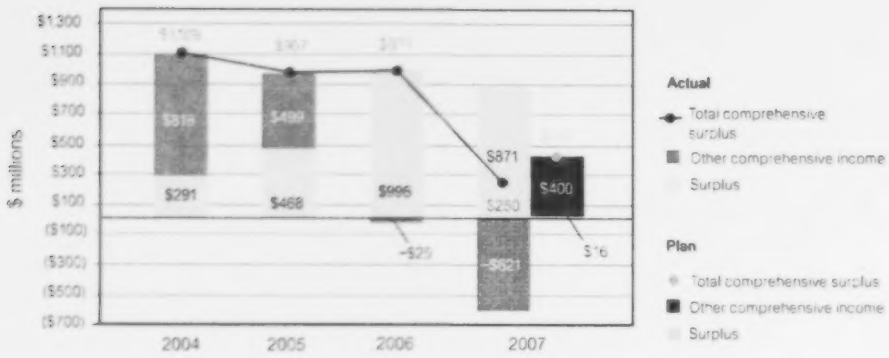
Overview of financial results

2007 and 2006 financial highlights ($ millions)	2007 actual	2006 actual*	Variance from 2006 actual	2007 plan	Variance from 2007 plan
Income	2,185	2,454	(269)	1,487	698
Expense	1,277	1,273	(4)	1,471	194
Surplus before non-recurring expenses	908	1,181	(273)	16	892
Non-recurring expenses	37	185	148	—	(37)
Surplus from operations	871	996	(125)	16	855
Other comprehensive income (loss)	(621)	(25)	(596)	400	(1,021)
Total comprehensive surplus	250	971	(721)	416	(166)
Unappropriated balance at beginning of year	1,217	621	596	1,217	—
Add: Surplus from operations	871	996	(125)	16	855
Less: Appropriation to reserves	(590)	(400)	(190)	(150)	(440)
Unappropriated balance at end of year	1,498	1,217	281	1,083	415
Accumulated other comprehensive income at beginning of year	1,151	1,176	(25)	1,151	—
Other comprehensive income (loss) for the year	(621)	(25)	(596)	400	(1,021)
Accumulated other comprehensive income at end of year	530	1,151	(621)	1,551	(1,021)

* Certain 2006 actual figures have been restated (see Note 3 — Prior-period adjustment, page 77).

Variance favourable by greater than 5% | Variance within plus or minus 5% or less than $10 million | Variance unfavourable by greater than 5%

Total comprehensive surplus



Results compared with 2006

In 2007, investment income decreased from the high levels of 2006. Uncertainty and systemic nervousness in investment markets during the second half of the year resulted in a retrenchment from stock market highs, and consequently a significant decrease in our total comprehensive surplus — from $971 million in 2006 to $250 million in 2007.

Total income in 2007 (including unrealized investment market gains and losses) was $1,564 million compared with $2,429 million in 2006, a decrease of $865 million. Most of the decrease ($680 million) was due to reduced income from our investment portfolio. This lower level of investment returns (4.4 percent) follows four years of double-digit returns. The other main revenue component, premium income, was also lower in 2007. Premium income decreased by $185 million compared with last year, primarily due to lower assessment rates and a special $86-million distribution to a small number of rate groups with excess surplus balances.

On the other side of the statement of operations, expenses decreased $144 million or 10 percent. Expenses, excluding non-recurring expenses, increased by $4 million due to an increase in operating costs. Non-recurring expenses decreased by $148 million. There were two non-recurring expense components. The first was a revision to the 2006 estimate of costs — resulting from a Supreme Court decision on benefit eligibility — which reduced long-term disability costs by $111 million (compared with a charge of $185 million in 2006, resulting in a year-over-year decrease of $296 million in this cost item). The second was a periodic valuation change that occurs every five years to reflect the change in expected mortality of workers receiving pensions. The mortality adjustment increased long-term disability costs by $148 million.

As these financial statements are reported on a fair-value basis, the statement of operations includes a surplus or loss position that represents unrealized gains or losses on the investment portfolio — those not actually realized by selling investments or receiving the income benefit from them. Again due to the financial market activity in 2007, other comprehensive loss was $621 million — $596 million higher than in 2006. This loss accounted for the majority of the $680-million reduction in investment income and $865-million reduction in total income, noted above.

The other impact on the accumulated surplus position is the appropriation of $590 million to the Capital Adequacy Reserve. This reserve was newly established in 2007 to ensure that WorkSafeBC will have sufficient capital to pay workers their required benefit payments regardless of the potential adverse consequences that can occur in the financial marketplace (see "Risk capital," page 65, for information on the capital adequacy policy).

Results compared with plan

The 2007 result was $166 million unfavourable to plan. The main reasons for the variance from plan have been stated above in the comparison to the prior year. Mostly, the organization did not achieve the anticipated investment income and this was partially offset by a favourable variance in net expenses.

Total income from the investment portfolio, which includes investment income and other comprehensive income, was $279 million lower than plan. Investment income, which was $742 million higher than plan,[20] was offset by other comprehensive income that was $1,021 million lower than plan. Total market return on the investment portfolio was just 4.4 percent in 2007, compared with a planned return of

6.9 percent, as financial markets corrected in 2007 and the portfolio was unable to repeat the double-digit gains of the previous four years.

Premium income was $44 million lower than plan after including the $86-million distribution to rate groups in an excess surplus position.

Total expenses were $157 million favourable to plan (i.e., $194 million favourable variance in expenses, less $37 million unfavourable variance in non-recurring expenses). This was primarily due to better-than-expected prior-period claim liability adjustments.

In 2007, the $590-million appropriation to reserves was $440 million more than planned. A $150-million appropriation to the Investment Fluctuation Reserve was planned to provide capital coverage for market volatility and other investment risks, but this reserve was replaced by the newly established Capital Adequacy Reserve, which provides capital coverage for investment risks as well as underwriting risks.

Key financial drivers

There are four key drivers of WorkSafeBC's financial performance: employment and injury rate, which together determine the volume of claims; short-term claim duration, which reflects severity of injuries and effectiveness of claim management; inflation rate to which benefits are indexed; and investment returns, which are expected to match inflation plus 3.5 percent. Each driver operates independently to influence overall financial performance.

Employment and injury rate

2007: 3.07 (2006: 3.12; plan: 3.06)

By definition, work-related injuries arise in the course of employment. Growth in B.C.'s employment base and changes to the injury rate of various industries are the primary drivers of WorkSafeBC's business operations, and the key determinants of the premium rates that employers pay. Over the past 10 years, annual employment growth in B.C. averaged 2.6 percent,[21] while the volume of claims declined an average of 1.3 percent per year, resulting in reductions in the injury rate over that period. However, B.C.'s average injury rate increased from 2003 to 2006, largely due to a greater increase in employment in higher-risk industry sectors, particularly in construction, compared with the economy as a whole. This trend reversed in 2007, when the injury rate declined slightly.

Over the past several years, WorkSafeBC has committed additional resources to target improvements in workplace safety in key industry sectors. Each 1 percent reduction in the number of injuries lowers system costs by approximately $10 million and, by extension, decreases the annual premium rate by approximately 1 percent.

Short-term claim duration

2007: 46.3 days (2006: 45.4 days; plan: 45.4 days)

Short-term claim duration is the average length, in days, of short-term disability benefits paid to injured workers. It is a key leading indicator of overall total claim costs and reflects the effectiveness of WorkSafeBC's claim management systems and processes, the severity of injuries, and the speed of rehabilitation and return to work of injured workers. The lower the average duration, the lower the total claim costs and vice versa. It is currently estimated that each day of average short-term claim duration costs approximately $5.6 million in annual short-term disability payments alone.

Beginning in 2004, WorkSafeBC experienced unexpected increases in volume and duration of claims as the provincial economy grew at an unusually fast pace. In 2005 and 2006, WorkSafeBC was better able to match capacity to volume (even as claim volumes continued to increase with the strength of the economy) by refining business processes and adding targeted resources where required. As a result, duration decreased in each of those years. In 2007, claim volumes continued to rise at the same time that resources were deployed toward the development of a new state-of-the-art Claims Management Solution (CMS) system (see page 24), resulting in a slight rise in the duration of claims. Rather than adding more personnel to deal with the volume of claims — personnel who are in short supply and require long training lead times to be effective — the organization consciously decided to allow duration to increase slightly in 2007. Successful implementation of the new CMS system is expected to have a measurable beneficial effect on duration in the future.

Inflation rate

2007: 2.4% (2006: 0.9%; plan: 2.5%)

The inflation rate, as measured by the rate of increase in the Canadian consumer price index (CPI), is a major cost driver because WorkSafeBC's future short-term disability, long-term disability, and survivors' benefits are indexed by legislation against the annual increase in CPI, as measured by the year-over-year CPI (at October each year). These benefits are indexed to inflation by legislative formula at CPI growth minus 1 percent, with a maximum of 4 percent and a minimum of zero. Because the liabilities for these benefit

categories total approximately $4.9 billion, every 1 percent increase in inflation adjustment costs approximately $49 million. B.C.'s workers' compensation benefit levels are generally in line with the other Canadian provinces and territories.

The rate of increase in the CPI for the past 10 years has ranged from a low of 0.9 percent in 2006 to a high of 3.2 percent in 2002. The inflation adjustment applied to benefit rates in 2007 was 1.4 percent (2.4 percent less 1 percent), in line with expectations. WorkSafeBC's financial exposure to inflation risk is limited to the legislatively imposed ceiling of 4 percent. Looking forward, WorkSafeBC's inflation risk is expected to remain within the inflation-control target range of 1 to 3 percent set by the Bank of Canada's monetary policy.

Investment returns

2007: 4.4% (2006: 11.6%; plan: 6.9%)

WorkSafeBC is required by legislation to maintain an Accident Fund sufficient to meet all present and future costs (liabilities) for injuries arising in the current year and previous years.[22] To achieve this, WorkSafeBC assesses and collects employer premiums and invests those funds. The premiums collected are invested with the objective of producing an expected long-term average real return of 3.5 percent over and above CPI growth. In 2007, the required rate of investment return was therefore 3.5 percent plus the CPI growth of 2.4 percent, for a total of 5.9 percent (2006: 4.4 percent). The actual market rate of return for 2007 was 4.4 percent, resulting in a shortfall in return of 1.5 percent over the actuarially expected or required rate of 5.9 percent, and 2.5 percent short of the planned rate of return of 6.9 percent.

WorkSafeBC's investment goals are to produce long-term average real returns of 3.5 percent. Annual variations in market returns should be viewed in light of long-term return results, which are shown in the table below.

At the end of 2007, WorkSafeBC had achieved the following four-, seven-, and ten-year annualized returns, meaning that over the past decade the organization has been able to generate returns that have met and exceeded the 3.5 percent real return requirements.

Comparison of investment returns to required rates of return

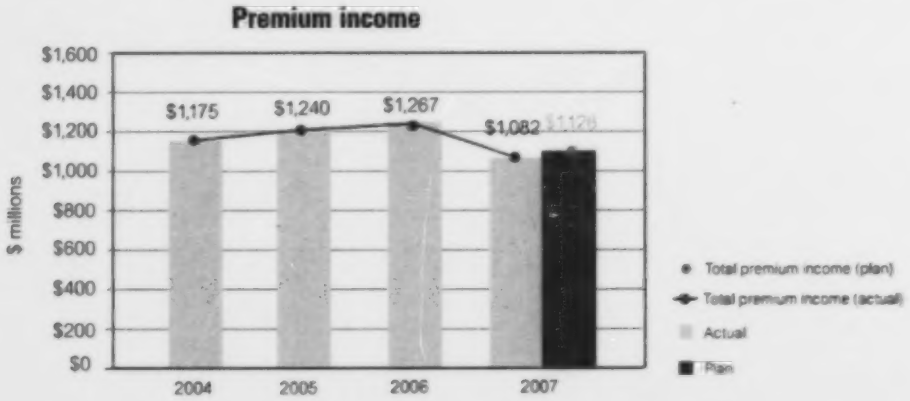
	Annualized return	CPI growth + 3.5%
Four-year annualized (average in each of the past four years)	9.6%	5.6%
Seven-year annualized	6.8%	5.6%
Ten-year annualized	7.3%	5.7%

The performance of WorkSafeBC's investment portfolio has significantly improved the financial sustainability of the system. Based on the investment portfolio's market value at December 31, 2007, each 1 percent of investment return over or under the required return of CPI growth plus 3.5 percent translates to an excess or shortfall of approximately $118 million.

Revenues

WorkSafeBC has two primary sources of revenue: premium income and investment income.

Premium income



Premium income ($ millions)	2007 actual	2006 actual	Variance from 2006 actual	2007 plan	Variance from 2007 plan
Current-year estimate* (a)	1,140	1,223 **	(83)	1,100	40
Prior-year adjustment (b)	8	13	(5)	—	8
Surplus abatement (c)	(94)	12	(106)	(11)	(83)
Penalties	6	5	1	7	(1)
Other adjustments (d)	3	(21)	24	(12)	15
Rateable employers	1,063	1,232	(169)	1,084	(21)
Self-insured employers (e)	19	35	(16)	42	(23)
	1,082	1,267	(185)	1,126	(44)

* *Current-year estimates include levies for injury-reduction initiatives (2007: $15 million; 2006: $10 million; 2007 plan: $21 million).*
** *Current-year estimate for 2006 adjusted to actual.*

Base premium rate	$ 1.69	$ 1.90	$ (0.21)	$ 1.69	$ —
Aggregate premium rate	$ 1.53 ***	$ 1.89	$ (0.23)	$ 1.67	$ (0.01)
Assessable payroll ($ billions)	$ 68.12	$ 64.38	$ 3.74	$ 65.85	$ 2.27

*** *The 2007 aggregate premium rate includes an $86-million surplus rebate distributed to rate groups in excess surplus positio ns. Excluding this surplus rebate, the aggregate premium rate was $1.66 per $100 of assessable payroll.*

Variance favourable by greater than 5% | Variance within plus or minus 5% or less than $10 million | Variance unfavourable by greater than 5%

Premium income totalled $1,082 million in 2007, a decrease of $185 million from 2006 and $44 million lower than plan. This decrease consisted of the following:

(a) When adjusted to reflect the correct apportionment of premium incomes in their respective years, 2007 premiums decreased by $83 million from 2006, but were $40 million higher than plan. The variance was due to an 11.1 percent reduction in the base premium rate in 2007 over 2006. The reduction was offset by a 5.8 percent increase in the 2007 assessable payroll, as a result of growth in the B.C. economy during the year. The 2007 premiums were also underestimated in the plan due to a lower starting point, which did not include the premium revenue under-accrued in the previous year, noted in (b) below.

(b) Premium receipts can vary after reporting, primarily due to the fact that B.C. employers are not required to fully pay their premiums until after year-end; as a result, a sizable portion of the amount receivable at year-end is estimated and accrued. In 2007, WorkSafeBC received $8 million in 2006 premiums over and above the amount accrued in 2006. The approximate 0.7 percent difference between these actual receipts and the estimate was recognized as premium income in 2007. (In 2006, WorkSafeBC received $13 million in 2005 premiums over and above the amount accrued in 2005.)

(c) In 2007, a special distribution of surplus balances totalling $86 million was made to rate groups with excess surplus balances. This special distribution was unplanned, causing an $86-million negative variance from 2006 and from plan. In addition, pre-2000 subclass surplus abatement and interest in 2007, totalling $8 million, was $20 million higher than in 2006, but $3 million less than plan. The pre-2000 subclass surplus abatement variance from 2006 was primarily due to the reversal and return to the Accident Fund in 2006 of $22 million of interest accrued on the surplus balances of cancelled employer accounts. The distribution of pre-2000 subclass surplus balances to eligible employers ended in 2004, except for a few remaining employers who will continue to receive credits until 2009. (For more information about the surplus abatements, see the footnotes to "Note 11 – Premiums," page 84.)

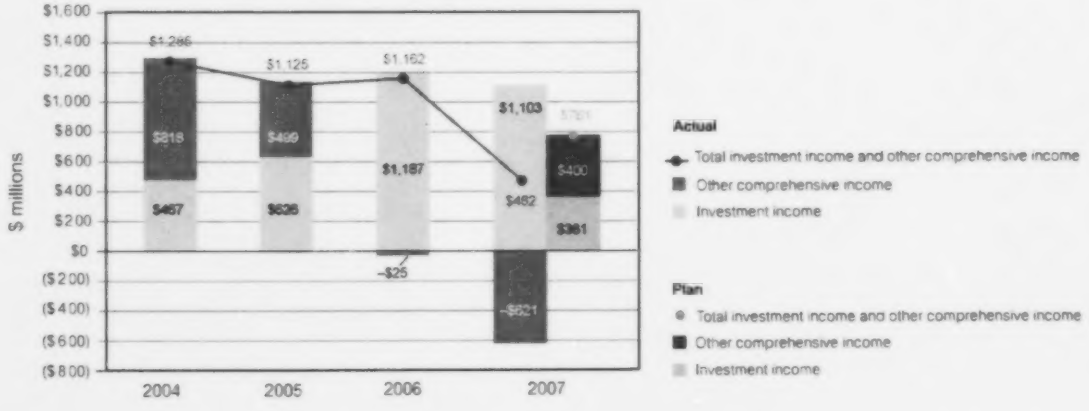
(d) Other adjustments to the 2007 premium income relating to prior years' premiums, including write-offs and negative adjustments to pre-2006 premiums collected, were $24 million higher than 2006 and $15 million higher than plan.

(e) Assessments for self-insured employers were $16 and $23 million lower than 2006 actual and 2007 plan, respectively, mainly due to lower claim costs billed to these employers.

Investment income

Investment income and other comprehensive losses (i.e., unrealized market value losses) totalled $482 million in 2007, which was $680 million lower than 2006 and $279 million lower than plan. Global equity markets were severely impacted by the subprime mortgage crisis in the United States, which affected markets worldwide as the financial sectors in the major exchanges were severely punished by investors. While all areas of the capital markets were indirectly affected by the mortgage problems, WorkSafeBC was not directly exposed to subprime mortgages nor the related products that caused the market turmoil.

Investment income and other comprehensive income



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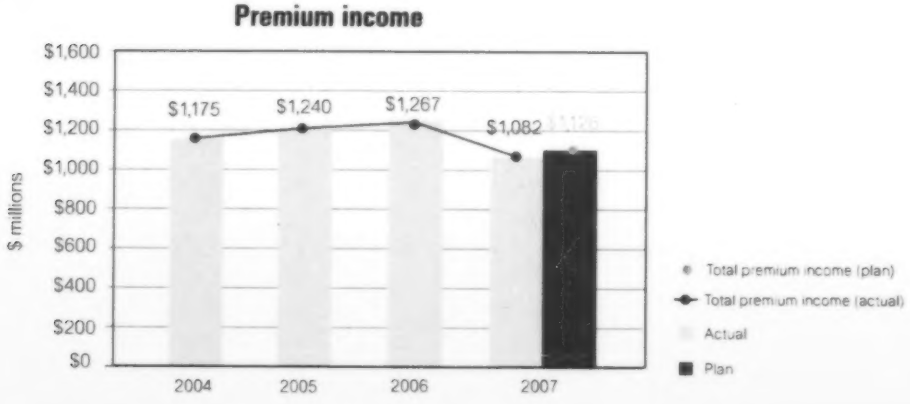

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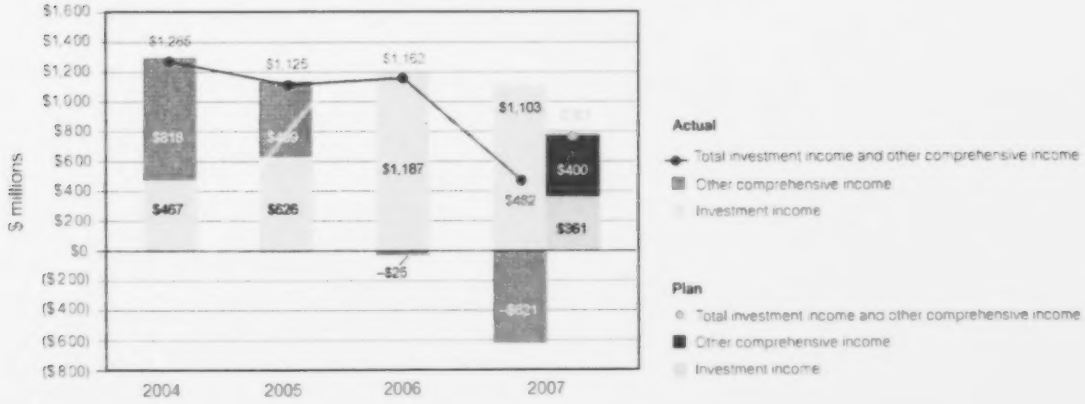
Investment income and other comprehensive income



Investment income and other comprehensive income

($ millions)	2007 actual	2006 actual*	Variance from 2006 actual	2007 plan	Variance from 2007 plan
Interest and dividend income (a)	398	304	94	274	124
Realized net gains on trading within pooled funds (b)	468	647	(179)	—	468
Realized net gains (losses) on sale of fixed-income instruments (c)	19	(6)	25	—	19
Realized net gains on sale of other instruments (d)	222	260	(38)	96	126
Realized net gains on sale of derivative instruments	15	7	8	—	15
Unrealized net gains (losses) on held-for-trading investments	(19)	(25)	6	(9)	(10)
Investment income	1,103	1,187	(84)	361	742
Other comprehensive income (losses) (e)	(621)	(25)	(596)	400	(1,021)
Total	482	1,162	(680)	761	(279)

** Certain 2006 actual figures have been restated (see "Note 3 — Prior-period adjustment," page 77)*

Market return on portfolio of investments	4.4%	11.6%	-7.2%	6.9%	-2.5%

Variance favourable by greater than 5% | Variance within plus or minus 5% or less than $10 million | Variance unfavourable by greater than 5%

Interest rates increased across the yield curve through the first eight months of 2007, with a particularly negative effect on long bonds and real-return bond holdings, but reversed course after problems appeared widespread in the banking industry. Major capital market indexes around the world made modest gains during the year; however, international equity returns were negative in Canadian dollar terms due to the rise of the Canadian dollar relative to most major currencies. The losses were partially hedged by our foreign currency contracts. Total 2007 market return for the portfolio of investments was 4.4 percent versus 11.6 percent for 2006. The 2007 results, however, exceeded WorkSafeBC's investment portfolio policy return benchmark of 3.0 percent for the year. The 1.4 percent return above the benchmark translates to $153 million.

(a) Higher than 2006 actual and 2007 plan level of assets for both fixed-income and equity investments resulted in an increase in coupon and dividend income, which was $94 million higher than 2006 and $124 million higher than plan.

(b) The annual business plan does not account for realized trading gains and losses within various pooled funds, which are allocated to WorkSafeBC at year-end. The amount to be allocated each year is dependent on the trading gains or losses experienced in the pooled funds and the portion of the capital gains distributed to unit holders by British Columbia Investment Management Corporation (bcIMC), the fund manager. WorkSafeBC does not, as a rule, include an estimate of the capital gains and losses distribution for planning purposes, since it has no way of forecasting trading activities of the fund manager. In 2007, $468 million was distributed by bcIMC, which was $179 million lower than the 2006 distribution. It should be noted that the distribution effectively reallocates other comprehensive income to investment income and hence has no impact on the total realized and unrealized net investment gains of the portfolio.

(c) With final completion of the transition of WorkSafeBC's fixed income portfolio to bcIMC in early 2006, gains and losses from active trading of fixed-income instruments are no longer planned for. The net gain of $19 million represented profit realized from the sale of long bonds resulting from asset reallocation.

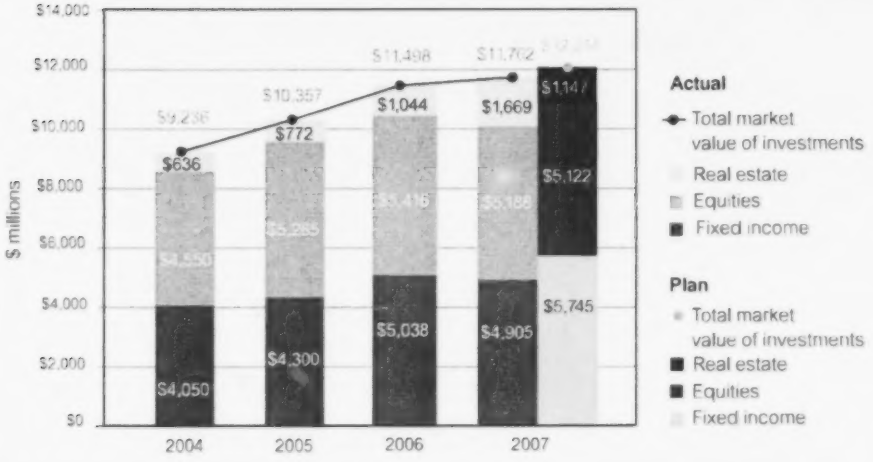
(d) The realized net gains on the sale of other instruments, which reflected mainly gains from the sale of equity investments, totalled $222 million in 2007 versus $260 million in 2006. The 2007 realized net gains exceeded the plan amount of $96 million due to a higher than usual level of asset reallocation activity during the year.

(e) Other comprehensive loss was $596 million and $1,021 million higher than 2006 actual and 2007 plan, respectively. Note that other comprehensive loss represents net unrealized market value losses from available-for-sale portfolio investments, after adjusting the book value of these investments to reflect the investment income and capital gains and losses attributed

to WorkSafeBC from its investment in various pooled fund products, including the $468 million that was allocated at the end of 2007. As noted in (b), the allocation was $179 million lower than in 2006 and was not accounted for in the 2007 plan. Without this allocation, the net unrealized market value gains or losses from available-for-sale portfolio investments would have been a loss of $153 million in 2007 and a gain of $622 million in 2006.

The other comprehensive income (loss) line item in the statement of operations appears below the operating results line indicating that it should be viewed in a different context from normal operations. The unrealized market value gains (losses) represent market valuations of portfolio investments as at the balance sheet date, and these gains are subject to market value fluctuations. Since the majority of the portfolio of investments is held to meet payment obligations that extend many years into the future, the valuation of these investments at a point in time provides a view of the financial position of WorkSafeBC at only that point in time. Short-term changes in financial markets could produce significant variations in this line item from year to year. WorkSafeBC's investment policies are designed to meet the long-term duration profile of liabilities.

Market value of investments



Market value of investments ($ millions)	2007 actual	2006 actual	Variance from 2006 actual	2007 plan	Variance from 2007 plan
Fixed income	4,905	5,038	(133)	5,745	(840)
Equities	5,188	5,416	(228)	5,122	66
Real estate	1,669	1,044	625	1,147	522
	11,762	11,498	264	12,014	(252)

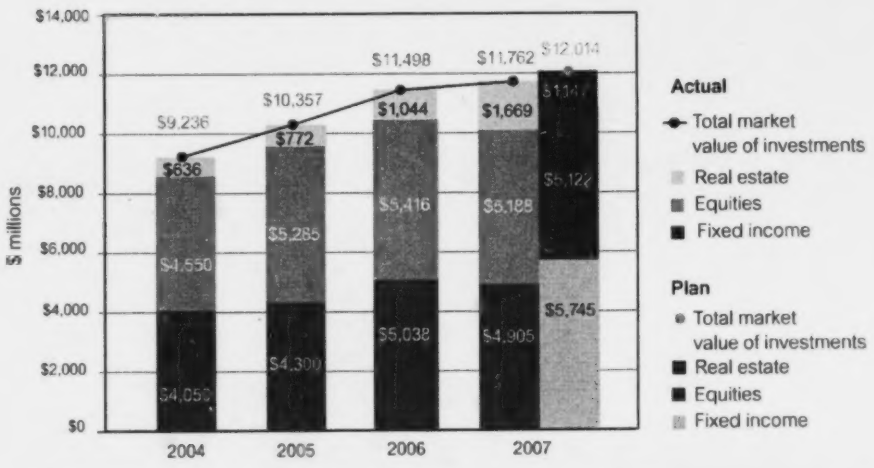
Variance favourable by greater than 5% | Variance within plus or minus 5% or less than $10 million | Variance unfavourable by greater than 5%

The total market value of investments was $11,762 million at the end of 2007 versus $11,498 million at the end of 2006. The net increase of $264 million consisted of total 2007 investment and other comprehensive income of $482 million, less $218 million to fund operating activities, reinvestments into bcIMC's pooled fund products, and acquisitions of property, plant, and equipment. The 2007 year-end market value was lower than the 2007 plan of $12,014 million. Changes in the market value of the three major asset classes were the result of a combination of factors including changes in the market value of the assets, asset reallocations among the asset classes, and net cash advances to and withdrawals from the portfolio for WorkSafeBC operations, reinvestments, and fixed assets renewal.

to WorkSafeBC from its investment in various pooled fund products, including the $468 million that was allocated at the end of 2007. As noted in (b), the allocation was $179 million lower than in 2006 and was not accounted for in the 2007 plan. Without this allocation, the net unrealized market value gains or losses from available-for-sale portfolio investments would have been a loss of $153 million in 2007 and a gain of $622 million in 2006.

The other comprehensive income (loss) line item in the statement of operations appears below the operating results line indicating that it should be viewed in a different context from normal operations. The unrealized market value gains (losses) represent market valuations of portfolio investments as at the balance sheet date, and these gains are subject to market value fluctuations. Since the majority of the portfolio of investments is held to meet payment obligations that extend many years into the future, the valuation of these investments at a point in time provides a view of the financial position of WorkSafeBC at only that point in time. Short-term changes in financial markets could produce significant variations in this line item from year to year. WorkSafeBC's investment policies are designed to meet the long-term duration profile of liabilities.

Market value of investments



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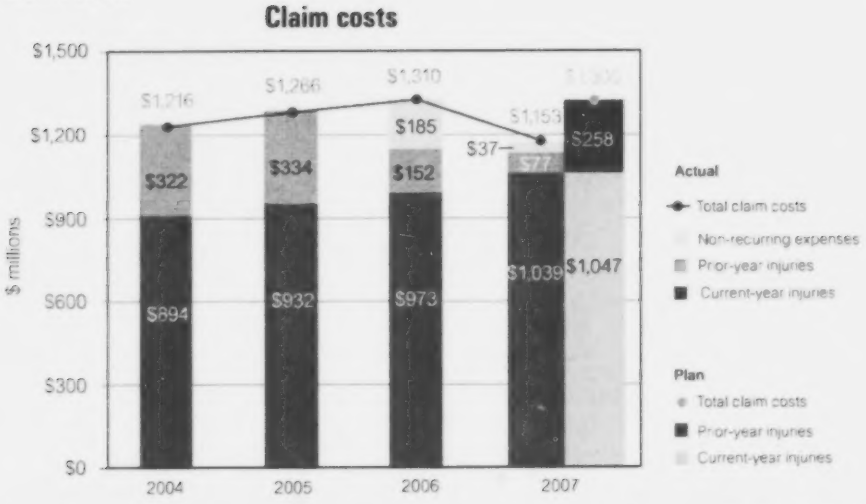
Expenses

Claim costs



Claim costs ($ millions)	2007 actual	2006 actual	Variance from 2006 actual	2007 plan	Variance from 2007 plan
Current-year claims (a)	1,039	973	(66)	1,047	8
Indexation cost (b)	497	364	(133)	508	11
Prior-period claim liability adjustments (c)	(420)	(212)	208	(250)	170
	1,116	1,125	9	1,305	189
Non-recurring claim costs (d)	37	185	148	-	(37)
	1,153	1,310	157	1,305	152
Consumer price index	2.4	0.9	(1.5)	2.5	0.1
Estimated person-years worked	2,022,000	1,950,000	(72,000)		
Estimated injury rate (per 100 person-years)	3.07	3.12	0.05	3.06	(0.01)
Estimated new injuries*	61,983	61,119	(864)		
Average weekly wage of all claimants	$749	$726	$(23)		
Duration of claims (average days on wage-loss benefits)	46.3	45.4	(0.9)	45.4	(0.9)

** Data excludes health-care-only claims*

Variance favourable by greater than 5% | Variance within plus or minus 5% or less than $10 million | Variance unfavourable by greater than 5%

WorkSafeBC's claim costs comprise three primary elements and some non-recurring items:

(a) *The cost of current-year claims including both the amounts paid in the year and actuarially determined estimates of future costs of these claims*

Current-year claim costs were $66 million or 6.8 percent higher than 2006, but $8 million or 0.8 percent lower than plan. The unfavourable year-over-year variance was due to an increase in the volume of claims of 3.3 percent, and an increase in the 2007 average cost per claim of 3.5 percent over 2006. The 3.5 percent increase reflects the combined impact of higher claimant wages and health care unit costs, and higher duration of claims. WorkSafeBC has focused significant resources on prevention and claim management improvements in order to reduce the frequency and severity of injuries and the average short-term claim duration in future years.

(b) *The indexation cost reflecting the actuarial discount rate of 3.5 percent plus CPI growth*

In 2007, the cost of indexation totalled $497 million, which was an increase of $133 million over 2006, but $11 million lower than plan. The primary determinant of indexation costs is the level of CPI growth, which stood at 2.4 percent in 2007. This compares with the 2006 CPI growth of 0.9 percent and the 2007 plan assumption of 2.5 percent. Thus, the opening benefit liability of $8.8 billion at January 1, 2007, generated an interest accretion cost in 2007 of $497 million by increasing at the level of CPI growth plus 3.5 percent discount rate, or approximately 5.9 percent. This $497 million represents an embedded cost in 2007, generated exclusively as a result of discounting in determining the benefit liability, regardless of whether other actuarial assumptions regarding underlying payment patterns materialize.

(c) *Adjustments to actuarially determined estimates of future claim costs for prior-period claims*

Changes in the pattern of claim costs experienced currently can increase or decrease the likely costs of claims arising from past years' claims. Increases in the cost of medical treatment or longer life expectancy among those with permanent disabilities, for example, can increase the claim liabilities for past years' claims. Other changes, such as an improved pattern of rehabilitation and return-to-work outcomes, reduce prior-year claim liabilities.

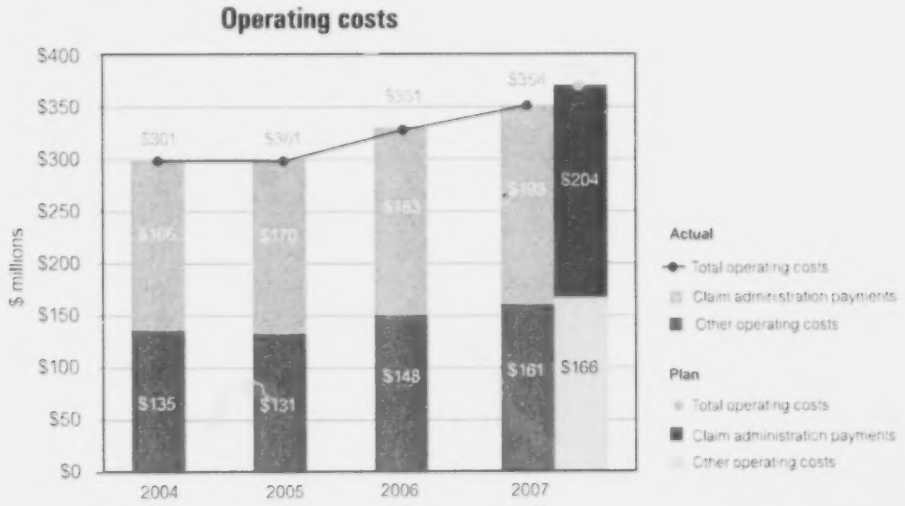
The favourable adjustment of $420 million on prior-period claim liabilities was primarily a result of actuarial gains on the unfinalled claim liability for long-term disability and health care, and, to a lesser extent, vocational rehabilitation and short-term disability. The adjustment was $208 million higher than 2006, and $170 million higher than plan. More than half of this $420-million gain was generated as a result of the decline in the most recent five-year average cost experience used to set the liabilities. This decline resulted from higher costs in 2002 being replaced by relatively lower 2007 costs as part of the average. The other major component of the gain resulted from payments and awards made in 2007 at lower levels than anticipated in the unfinalled claim liability at December 31, 2006.

(d) *Non-recurring expenses*

A claim cost reduction of $111 million was made in 2007 to reflect a revision to the estimated costs stemming from a 2006 Supreme Court of B.C. decision on how the deterioration of a permanent disability should be compensated. The cost was originally estimated at $185 million in 2006, representing both the reassessment of claims adjudicated prior to the Supreme Court decision and the projected cost of applying the revised policy to all future decisions related to new deteriorations of applicable permanent disability injuries.

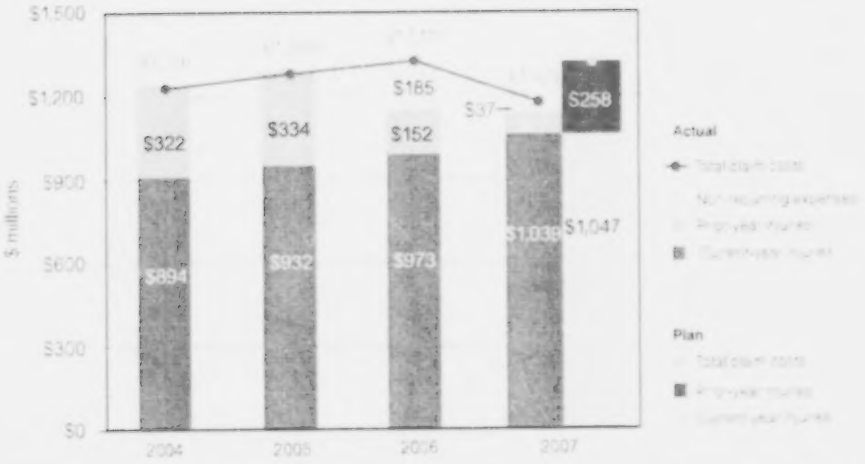
Offsetting the favourable adjustment was an unfavourable cost increase estimate of $148 million, made in 2007 as a result of a revision in the mortality assumption to reflect the continuing longer lifespan of injured workers.

Operating costs



Expenses

Claim costs



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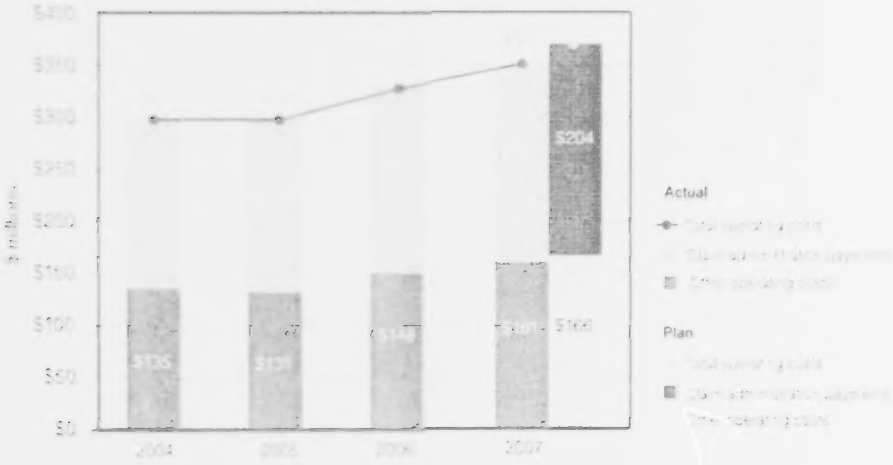
Operating costs



Operating costs

($ millions)	2007 actual	2006 actual	Variance from 2006 actual	2007 plan	Variance from 2007 plan
Administration costs	311	287	(24)	320	9
Amortization of property, plant, and equipment	28	34	6	29	1
Injury-reduction initiatives	15	10	(5)	21	6
	354	331	(23)	370	16
Less: Claim administration payments	193	183	(10)	204	11
	161	148	(13)	166	5

Variance favourable by greater than 5% | Variance within plus or minus 5% or less than $10 million | Variance unfavourable by greater than 5%

There is an important connection between WorkSafeBC's operating costs, the level of service provided to stakeholders, and the overall financial performance of the organization. To effectively manage and administer the workers' compensation system and meet stakeholder needs, WorkSafeBC must invest to improve productivity, service, and efficiency.

WorkSafeBC's operating costs totalled $354 million in 2007: $23 million higher than 2006 but $16 million lower than plan. Increases in salaries and employee benefits accounted for $20 million of the increase over 2006, but this was $4 million lower than plan. Included in the variances for salaries and employee benefits were negotiated pay increases of 2.65 percent and "broadbanding" of the pay scales, a 5.6 percent increase in staff to support workplace safety and customer service initiatives, and increases in staff long-term disability (LTD) expenses ($3 million higher than 2006 and $4 million higher than plan). These increases were offset by a decrease in staff pension expenses ($7 million lower than 2006 and $8 million lower than plan). The variances in staff pension and LTD expenses were due to actuarial reassessments of expected future costs.

Other significant increases in operating costs for 2007 included increased investment in injury-reduction initiatives, which was $5 million higher than 2006 but $6 million lower than plan.

Estimates

Based on assumptions that reflect the most probable set of economic conditions and planned courses of action (as at the financial statement date), WorkSafeBC's financial statements include management's best estimates of the reported amounts of its assets and liabilities, as well as its reported amounts of income and expenses during the reporting periods. Measurement uncertainty, as defined by Canadian generally accepted accounting principles, exists when there is a variance between the recognized amount and another reasonably possible amount, and actual results may differ by a significant amount from those estimated in the financial statements. The two most significant financial statement items that contain measurement uncertainties are accrued premiums and claim benefit liabilities.

Accrued premiums

The final premium amount accrued for the current assessment year is not fully known until May of the following calendar year, when the majority of employers will have submitted their final premium reconciliation statements. Therefore, in order to meet the reporting deadline of March 25 specified in the *Workers Compensation Act*, this value must be estimated based on the incomplete data available as of January of the following calendar year.

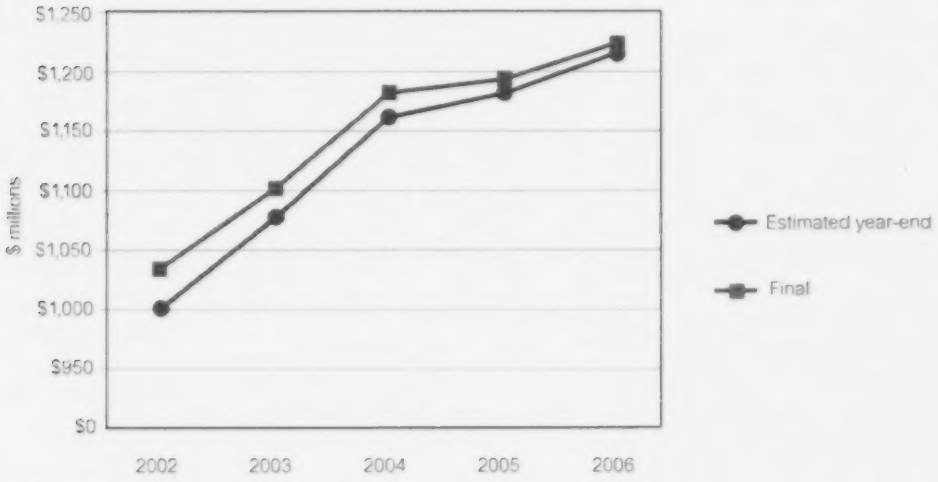
The data used in making this estimate includes both revenues received by WorkSafeBC until the end of January of the following year (the last assessment month-end prior to the substantial completion date of the audit) and external measures of economic activity in the province of B.C. Due to the uncertainty inherent in this process, WorkSafeBC has historically taken a prudent, conservative approach in making this estimate. Any difference between the final remittances from employers and the accrued amount resulting from this estimate is recognized in the financial statements the following calendar year as premium income for that year.

The table on page 63 shows the recent history of premium estimates and compares them with the actual premiums ultimately determined.

Earned premium income

($ millions)	2002	2003	2004	2005	2006
a) Estimated at year-end	1,000	1,075	1,160	1,180	1,215
b) Final	1,033	1,100	1,182	1,193	1,223
c) Amount underestimated	(33)	(25)	(22)	(13)	(8)
d) Percentage underestimated	(3.3%)	(2.3%)	(1.9%)	(1.1%)	(0.6%)

Premium income estimate vs. final



Benefit liabilities

Benefit liabilities represent an estimate of the present value of future payments to be made on existing claims, and are calculated on the basis of actuarial assumptions. These actuarial assumptions are generally based on actual recent claim experience. However, future payments for long-term claims have a very long duration with an average expected payment period extending about 20 years into the future and a potential "payment life" on some claims of more than 50 years. The actuarial duration of liabilities for WorkSafeBC is calculated as approximately 12 years. ("Duration" in this sense represents the average number of years of future payments for claims that the present value of liabilities equates to after discounting future payments.) There is a risk that the actual recent experience used for setting the actuarial assumptions may not endure for the entire period for which current claims are paid, which could result in changes in the liability estimate.

The two most important assumptions underlying the liability estimates are the discount rate and the future payment pattern.

Discount rate

The primary economic assumption is that future investment income will be earned on amounts held to meet benefit liabilities at an annual rate of CPI growth plus 3.5 percent for each year into the future. As a result, the liability is theoretically calculated assuming a discount rate of CPI growth plus 3.5 percent. However, due to the fact that the CPI is difficult to forecast, this factor is removed from both sides of the equation so that the effective discount rate is 3.5 percent, which is generally referred to as the expected real rate of return (i.e., nominal return less CPI growth). If actual future investment performance consistently falls below the 3.5 percent real return assumption, the liability estimate would be understated. Specifically, for each 1 percent annual shortfall in the future actual investment returns, the rule of thumb measure of the impact on liabilities is that those liabilities, by virtue of their duration of 12 years, will be underestimated by approximately 12 percent of the total $8.8 billion liability, or about $1.1 billion.

Future payment pattern

WorkSafeBC's benefit liabilities consist of two major categories, each of which incorporates an estimate of what the future pattern of payment will be:

- Pensions awards, capitalized values — This is the present value of monthly annuities that have already been awarded to claimants (long-term disability) or to survivors of deceased claimants. The potential estimation error in this $4.2-billion liability is relatively small and is based on whether the lifespan of these annuitants varies from the actuarial assumptions used.
- Provision for unfinalled claims — This is the present value of future payments on existing claims that have not yet been awarded. This encompasses five types of benefits: short-term disability, long-term disability, survivor benefits, health care, and vocational rehabilitation, as well as a provision for the administration costs of future claims (which are required to adjudicate and process these future payments).

This unfinalled claim liability is generally calculated by assuming that the average payment pattern observed over the last five calendar years is representative of the future award and payment patterns that will emerge on existing claims over the next 50 years. There is, however, a significant uncertainty in this key assumption. Historical experience has shown that payment patterns can vary substantially over time. The underlying factors that influence this change can include changes in claimant demographics, changes in injury severity, changes in adjudication practices, changes in appeal procedures, and/or socio-economic factors in society at large.

The long-term disability component of the unfinalled claim liability, which constitutes $2.2 billion or about 50 percent of this $4.5 billion liability, has historically proven to be somewhat volatile in this respect. Although it is not possible to determine an exact measure of the ultimate uncertainty in the estimate of unfinalled claim liability, historical data suggests that the expected uncertainty could be in the range of 20 percent (plus or minus), or about $0.9 billion of liability.

Claim costs and benefit liabilities could be impacted by changes in policy resulting from judicial decisions. For example, a decision by the Supreme Court of B.C. in 2007 could result in a change in WorkSafeBC's interest policy for retroactive benefit payments, with resulting increases in claim costs (see the footnotes to the financial statements on page 83 for further information). The payment patterns of both the pension and unfinalled claim categories could also be impacted by decisions of the provincial government, such as legislative change to expand coverage of diseases for certain occupations.

Gain and loss analysis

The gain and loss analysis isolates the major components contributing to operating results. The table below compares 2007 and 2006 underwriting results for rateable employers. Also shown are the aggregate gain and loss elements for the past five years in order to provide a broader perspective on recent financial results.

(a) In 2007, premium income had a shortfall of $99 million against the cost of current-year injuries compared with

Gain and loss analysis (for rateable employers)

($ millions)	2007	2006	Increase (Decrease)	Five-year total increase (decrease) 2003–2007
Premium revenue excess (shortfall) over current-year costs (a)	(99)	148	(247)	438
Investment income greater than liability requirements — smoothed basis (b)	415	453	(38)	1,103
Actuarial liabilities lower than previously anticipated (c)	503	255	248	1,027
Extraordinary adjustments to increase (decrease) liabilities (d)	(36)	(176)	140	(139)
Operating surplus — smoothed basis	783	680	103	2,429
Difference in basis for reporting investment income (e)	88	316	(228)	370
Operating surplus — fair-value basis	871	996	(125)	2,799

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an excess of $148 million in 2006. The main reasons for the $247-million decrease were twofold: first, there was a reduction in the 2007 rates to reflect an expected surplus position, compared with a corresponding charge in the 2006 rates to allow for funding of additional reserves; second, in 2007, there was a special $86-million surplus rebated to six rate groups with excess surplus levels. Note 16 (page 88) of the financial statements shows further details of this decrease. Since premium rates are set using the most recent three years' weighted injury rates and cost rates, premium rates usually lag behind (are higher/lower than) the actual experience in periods of declining/rising injury and cost rates. Therefore, premium rates for 2007 do not fully reflect the most recent injury rate and average claim cost trends.

(b) Investment income calculated on the smoothed basis in both 2007 and 2006 exceeded actuarially required returns. The smoothed return in 2007 was 10.2 percent (compared with an actuarially required rate of 5.9 percent) and in 2006 was 9.4 percent (compared with an actuarially required rate of 4.4 percent). Market returns for 2007 were 4.4 percent, down from 11.6 percent in 2006.

(c) Adjustments to previously estimated actuarial liabilities occur when subsequent actual cost experience provides a basis for making those adjustments. In addition, this component includes miscellaneous prior years' interest items. Disclosure of 2007 adjustments is contained under item (c) in the claim cost section on page 61.

(d) There were $36 million of non-recurring expenses in 2007. This cost was the net of a $107-million gain offset by a $143-million loss. The $107-million gain was related to a Supreme Court decision of May 5, 2006, which clarified how WorkSafeBC must interpret and adjudicate deteriorations of permanent disabilities. The cost of this decision, which was initially estimated at $176 million at the end of 2006, has been revised to $69 million at the end of 2007 in light of more recent experience. The $143-million loss was the result of updating the estimated future mortality assumption (lower relative number of deaths) in 2007, which is used for calculating liabilities for pensions awarded to permanently disabled workers.

(e) A portion of total realized and unrealized market gains (net), representing the annual amortization of total realized and unrealized market gains accumulated over the last five years, is included in investment income used to derive item (b). In reconciling operating income on the smoothed basis to the reported fair value operating surplus, WorkSafeBC deducts the amortized realized and unrealized market gains from the smoothed operating surplus, then adds the total gains realized in the year and total unrealized gains for derivative financial instruments (which are classified as held-for-trading).

Risks

Risk capital

WorkSafeBC believes that in order to be a financially sound workplace insurance agency, it should aspire to meet risk capital tests similar to those imposed by regulatory authorities. In Canada, the Office of the Superintendent of Financial Institutions (OSFI) regulates banks and insurance companies to ensure that these organizations have sufficient capital to back their promises and obligations to their customers and policy holders. In simple terms, OSFI requires banks and insurance companies to have sufficient capital to cover the risks inherent in their balance sheets, including both assets and liabilities. For insurance companies, OSFI requires capital coverage sufficient to cover balance sheet and underwriting risk. Most insurance companies have a self-imposed capital coverage level well in excess of the minimum level required by OSFI, and by doing so have earned very high credit ratings from rating agencies in recognition of their ability to withstand financial shock. In 2007, WorkSafeBC's Board of Directors approved the adoption of a capital adequacy policy that similarly sets out a target capital adequacy reserve level using a methodology derived from OSFI guidelines. While WorkSafeBC is not subject to OSFI regulatory oversight, its decision to voluntarily adopt a capital coverage target is in keeping with its strategic objective of financial sustainability of the system. This capital adequacy target is in addition to other reserves held by WorkSafeBC, which were not included as part of the OSFI guidelines.

WorkSafeBC's capital includes the unappropriated surplus, reserves, and accumulated other comprehensive income. The total capital available totalled $3,458 million at the end of 2007 (2006: $3,208 million) and represents capital coverage of 108 percent (2006: 102 percent).

Capital adequacy

($ millions)	2007	2006
Unappropriated surplus	1,498	1,217
Accumulated other comprehensive income	530	1,151
Capital Adequacy Reserve	890	300*
Other reserves	540	540
Total capital available	3,458	3,208
Target Capital Adequacy Reserve level	2,655	2,616
Other reserves	540	540
Target capital requirement level	3,195	3,156
Target capital requirement ratio (total capital available divided by target capital requirement level)	108%	102%

**In 2006, this amount was in the Investment Fluctuation Reserve. The Investment Fluctuation Reserve was folded into the Capital Adequacy Reserve in 2007 (see Note 2(d), page 75)*

Risk management

Like any organization, WorkSafeBC is susceptible to risks that, if unmitigated, could lead to significant financial consequences. WorkSafeBC has established financial expenditure controls, policies, and processes to assist in containing risks. An internal audit department, which reports to the Audit Committee of the Board of Directors, regularly carries out operational and control audits to test for compliance.

In addition to the above, the Audit Committee and the Board of Directors are provided with annual reporting on major key risk factors and the organizations' assessment of the potential impact and likelihood of occurrence of the identified risks. This assessment is generated through an enterprise risk management (ERM) framework modelled after best practices of the Australia/New Zealand standard of risk management and the Committee of Sponsoring Organizations of the Treadway Commission (COSO) ERM framework, whose sponsors comprise the Institute of Internal Auditors, the American Institute of Certified Public Accountants, the American Accounting Association, the Institute of Management Accountants, and the Financial Executives Institute. See Appendix C for a discussion of some of the risk factors in WorkSafeBC's operating environment.

Of the four key financial drivers discussed starting on page 54, benefit costs and investment performance are the drivers that have potentially critical consequences if not adequately controlled for risk.

Benefit cost risks

Benefit costs, especially those related to the high-cost injuries that lead to long-term disability, are susceptible to many variables, including employers' return-to-work practices, WorkSafeBC's effectiveness in processing claims, and appellate decision results. In the past, the appellate decision variable has been the most unpredictable and costly risk factor. The number of appeals pending resolution at the Workers' Compensation Appeal Tribunal at the end of 2007 totalled 3,615, compared with 4,013 at the end of 2006, 4,960 at the end of 2005, 9,944 at the end of 2004, and 15,708 at the end of 2003. This substantial reduction has allowed WorkSafeBC to factor the results into its actuarial estimates of liability and thus reduce the unknown risk factor to more predictable levels.

Another benefit cost risk is an uncontrollable risk related to the potential for change to legislated benefits or expanded coverage of diseases, especially if applied retroactively. Issues such as mandatory retirement, chronic pain, and work-related

stress have been addressed by other provincial legislatures and could carry substantial financial liability risk if introduced in B.C. Also, the risk of diseases such as severe acute respiratory syndrome (SARS) and pandemic influenza (perhaps arising from the avian influenza virus) could affect large portions of the working population and thereby significantly increase benefit costs.

While risks of these types are not controllable, WorkSafeBC has a previously established reserve for latent occupational disease and, in 2006, established a general reserve for special circumstances that have significant cost implications, including potential legislated benefit changes and court decisions. In addition, as previously described, WorkSafeBC has a formal capital adequacy policy to help mitigate these risks, including a formal target capital requirement level modelled after OSFI guidelines, together with a funding strategy to achieve this target in the next several years.

Investment performance

WorkSafeBC's investment policy shapes a prudent portfolio which has macro-target allocations of 45 percent equities, 45 percent fixed income, and 10 percent real estate, with allowable ranges within asset classes that allow discretionary movement as circumstances warrant. The Board of Directors is responsible for setting WorkSafeBC's investment policy and assigns the oversight and asset allocation decisions to an Investment Committee that consists of independent external voting members, who are professionals in investments or economics, and internal voting members, consisting of the President and CEO and the Chief Financial Officer. While the policy takes into account the duration of liabilities, it does not attempt to match asset duration to liabilities. The policy prescribes that appropriate safeguards and controls must be in place to mitigate risks.

The Board of Directors and WorkSafeBC's Investment Committee have also established processes and reporting requirements to ensure that the organization's fund manager, bcIMC, has adequate internal controls and risk-mitigation procedures in place. bcIMC has undertaken to submit itself to annual audits of its internal controls by an external public accounting firm and make the audit reports available to WorkSafeBC on a routine basis.[23] To date, there have been no serious qualifications relating to bcIMC's internal controls nor reliability of bcIMC-pooled investment funds information.

There are some investment risks that are not directly controllable, such as significant market swings, geopolitical risks, and interest rate changes driven by the monetary, fiscal, and trade policies of other countries. WorkSafeBC management has, however, implemented a process to mitigate the capital adequacy risk, and is actively investigating and implementing further processes to evaluate and mitigate the Accident Fund's "value at risk." During 2007, the Investment Committee adopted an additional risk management approach that will improve quantification of portfolio risks and expected returns to assist in strategic and tactical allocation decisions. In addition, bcIMC is in the process of implementing a portfolio risk model within its investment operation, with the goal of better monitoring its internal and external managers' portfolio risks.

Investment risk measurement and management is a relatively new discipline in the investment industry. During the summer of 2007, despite sophisticated risk measurement and control procedures, many major banks and financial institutions were exposed to risky subprime mortgages and questionable structured investment vehicles that decimated their capital reserves. On the other hand, simple principles, such as not investing in low-transparency financial instruments, allowed bcIMC to avoid investing in those vehicles, thus avoiding the traps that many Canadian pension funds and investment managers fell into in recent years. bcIMC was not directly exposed to subprime mortgages nor the related products that caused the market turmoil.

Future outlook

Looking forward, WorkSafeBC's pro forma financial projections indicate continued positive operating results and increasingly lower premium rates to 2011.

In conjunction with the annual rate-making process completed in October of each year, WorkSafeBC generated 10,000 simulated scenarios of financial outcomes to 2011.[24] These simulations take into account historical information and trends on four key variables: the injury rate, inflation, investment returns, and claim costs. The following key assumptions were incorporated into the simulation model:

- Average CPI growth of 2.5 percent per year with a corresponding annual wage rate growth of 3.5 percent
- Average workforce growth of 2.0 percent with no change in the injury rate
- Average annual investment (market) return of 6.0 percent with a standard deviation of 6.0 percent
- Average annual unfinalled claim cost index remains flat

The simulation results indicate an expected funded ratio (smoothed basis) of 126 percent at the end of 2011, with a 25

percent chance of being below 118 percent and a 25 percent chance of being above 133 percent. The factors that could lead to being below full funding are primarily high inflation and low investment returns. Simulations also indicated an overall premium rate of $1.42 in 2011 (compared with $1.66 in 2007), with a 25 percent chance of being above $1.47. The projections are, however, subject to uncontrollable external influences with indeterminate impact, such as a pandemic, shocks to world financial systems, and various geopolitical events.

While simulation results do not necessarily foretell the future, they help WorkSafeBC's senior management make qualitative assessments of likely future results. WorkSafeBC continually monitors leading indicators and performance measures related to inflation, the injury rate, investment return, and claim costs.

Inflation, as measured by the CPI growth, experienced a fairly steady year in 2007, but had a decidedly upward tilt in the last four months of the year, hitting 2.5 percent in September and November following an average of 2.0 percent in the first eight months. Going forward, continued uncertainty about the cost and supply of oil and energy sources will likely cause occasional volatility in the CPI measure. The strength of the Canadian dollar may have a soothing effect on price as imported goods will be cheaper. Upward wage pressures may also impact the CPI as Canada's industrial capacity is maximized. The risk of inflation is considered to be slightly higher at publication time than it was in mid-2007 when the simulations were made.

British Columbia's economic base, and hence its underlying payroll base, is projected to continue growing across the major industry sectors with the exception of the forestry industry, which is experiencing the effects of the U.S. housing slowdown. Employment growth is likely to increase the volume of claims if the injury rate is not lowered; however, premium growth, as a result of a growth in the volume of payroll, should keep pace with the cost of injuries.

WorkSafeBC's portfolio investment returns had been robust, with double-digit market returns in the four years leading up to 2007. However, the strength of financial markets has been dependent on global economic growth, which slowed in 2007 as the major U.S. economy appeared to have weakened substantially. Fiscal and trade balances of major global economies also play a significant role in shaping the interest rate and foreign exchange rates. Recent signs that the U.S. trade deficit may be improving have implications for global economic growth and currency exchange rates that are difficult to quantify, as global economic dependency on trade with the U.S. appears to have waned in recent years.

In management's opinion, expectations for double-digit returns in the near- and mid-term are not realistic, and hence lower rates of return have been assumed in future projections.

WorkSafeBC's unfinalled claim cost index is a proxy measure of the cost of claims that reflects most of the factors that drive costs, excluding the impact of inflation. This index, which had been increasing for many years, has more recently begun to decline due to a significant reduction in the backlog of long-term disability claims (awaiting resolution), as well as a decrease in the propensity for claims to require long-term disability awards. In management's opinion, it is reasonable and prudent to assume that this index will remain flat.

Accounting standards

Note that the above financial projections are based on current Canadian generally accepted accounting principles (GAAP). Over the next four years, accounting standards in Canada will be changing as International Financial Reporting Standards (IFRS) are incorporated into Canadian GAAP. The Canadian Accounting Standards Board announced in February 2008 that full implementation of IFRS will be required for publicly accountable enterprises for fiscal years beginning on or after January 1, 2011.

Financial Review

Responsibility for financial reporting

WorkSafeBC management is responsible for the preparation of the accompanying financial statements in accordance with Canadian generally accepted accounting principles. These financial statements include some amounts based on management's best estimates and judgments.

Management is responsible for the integrity and fairness of the financial statements and has established systems of internal control to provide reasonable assurance that relevant and reliable financial information is produced and that assets are safeguarded from loss.

The Board of Directors is responsible for overseeing management in the performance of its financial reporting responsibilities and has approved the financial statements and other financial information included in this annual report.

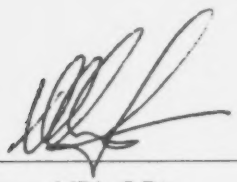
The Audit Committee of the Board of Directors assists the Board in discharging its responsibilities. This committee reviews and recommends approval of the financial statements and meets periodically with management, internal and external actuaries, and internal and external auditors concerning internal controls and all other matters relating to financial reporting.

WorkSafeBC's actuarial staff performs an annual actuarial valuation of the claim benefit liabilities included in the financial statements of WorkSafeBC.

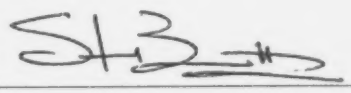
Eckler Ltd. has been appointed as the independent peer review actuary to WorkSafeBC. Their role is to complete an independent review of the annual actuarial valuation of the claim benefit liabilities included in the financial statements of WorkSafeBC and to report thereon in accordance with accepted actuarial practice.

The Internal Audit department performs audits designed to test the adequacy and consistency of WorkSafeBC's internal controls, practices, and procedures.

WorkSafeBC's external auditor is the Auditor General of British Columbia. The Auditor General has full and unrestricted access to the Audit Committee. The Auditor General has performed an independent audit of the financial statements of WorkSafeBC, in accordance with Canadian generally accepted auditing standards. The Auditor General's report outlines the scope of this independent audit and his opinion on the financial statements of WorkSafeBC.



David Anderson, MBA, C.Dir.
President and Chief Executive Officer



Steve Barnett, CA
Vice-President, Finance
and Chief Financial Officer

March 11, 2008

Report of the Auditor General of British Columbia

To the Board of Directors of the Workers' Compensation Board, and
To the Minister of Labour and Citizens' Services, Province of British Columbia

I have audited the balance sheet of the *Workers' Compensation Board* as at December 31, 2007 and the statements of operations, changes in unappropriated balance and accumulated other comprehensive income, and cash flows for the year then ended. These financial statements are the responsibility of the Workers' Compensation Board's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the *Workers' Compensation Board* as at December 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Victoria, British Columbia
March 7, 2008

John Doyle, MBA, CA
Auditor General

Balance sheet
as at December 31, 2007 ($ thousands)

Exhibit 1

	2007	2006[a]
Assets		
Receivables (Note 4)	515,804	542,501
Portfolio investments (Note 5)	11,761,959	11,497,437
Property, plant, and equipment (Note 6)	165,054	148,559
	12,442,817	**12,188,497**
Liabilities, reserves, unappropriated balance, and accumulated other comprehensive income		
Payables and accruals (Note 7)	232,951	215,476
Benefit liabilities (Note 8)	8,751,988	8,765,301
Total liabilities	8,984,939	8,980,777
Reserves (Note 10)	1,430,000	840,000
Unappropriated balance (Exhibit 3)	1,497,421	1,216,377
Accumulated other comprehensive income (Exhibit 3)	530,457	1,151,343
	12,442,817	**12,188,497**

The accompanying notes are an integral part of the financial statements.

David Anderson, MBA, C.Dir.
President and Chief Executive Officer

Steve Barnett, CA
Vice-President, Finance
and Chief Financial Officer

a Certain 2006 figures have been restated – see Note 3.

Statement of operations
for the year ended December 31, 2007 ($ thousands)

Exhibit 2

	2007	2006[a]
Income		
Premiums (Note 11)		
Rateable employers	1,048,776	1,222,487
Self-insured employers (Note 12)	18,532	34,506
Levy for injury-reduction initiatives	14,588	10,245
	1,081,896	**1,267,238**
Investments (Note 5)		
Earned income	398,448	303,465
Realized gains on investments	723,764	907,793
Unrealized gains (losses) on held-for-trading investments	(19,324)	(24,715)
	1,102,888	**1,186,543**
Total income	**2,184,784**	**2,453,781**
Expenses		
Claim costs (Note 9)		
Benefit payments	1,164,669	1,118,874
Changes in actuarial valuation of benefit liabilities	(47,928)	5,719
	1,116,741	**1,124,593**
Operating costs (Note 13)		
Administration costs	338,772	321,079
Funding for injury-reduction initiatives	14,588	10,245
	353,360	331,324
Less: Claim administration payments	(192,875)	(182,999)
	160,485	**148,325**
Total expenses	**1,277,226**	**1,272,918**
Surplus before non-recurring expenses	907,558	1,180,863
Non-recurring expenses (Note 9)	(36,514)	(185,269)
Surplus from operations	**871,044**	**995,594**
Other comprehensive income (loss)		
Net unrealized gains (losses) on available-for-sale investments (Note 5)	**(620,886)**	**(24,813)**
Total comprehensive income	**250,158**	**970,781**

The accompanying notes are an integral part of the financial statements.

a Certain 2006 figures have been restated – see Note 3.

Statement of changes in unappropriated balance and accumulated other comprehensive income for the year ended December 31, 2007 ($ thousands)

Exhibit 3

	2007	2006
Unappropriated balance — January 1	1,216,377	689,841
Prior-period adjustment (Note 3)	—	(69,058)
Unappropriated balance — January 1 restated	1,216,377	620,783
Surplus from operations (Exhibit 2)	871,044	995,594
Appropriation to Capital Adequacy Reserve (Notes 2(d) and 10)	(590,000)	(150,000)
Appropriation to General Reserve (Notes 2(d) and 10)	—	(250,000)
Unappropriated balance — December 31	**1,497,421**	**1,216,377**
Accumulated other comprehensive income — January 1	1,151,343	1,107,098
Prior-period adjustment (Note 3)	—	69,058
Accumulated other comprehensive income — January 1 restated	1,151,343	1,176,156
Other comprehensive income (loss) (Exhibit 2)	(620,886)	(24,813)
Accumulated other comprehensive income — December 31	**530,457**	**1,151,343**

The accompanying notes are an integral part of the financial statements.

Statement of cash flows for the year ended December 31, 2007 ($ thousands)

Exhibit 4

	2007	2006
Cash obtained from (used for) operating activities		
Cash received from:		
Employers	1,101,736	1,246,913
Dividends and interest	353,715	281,599
	1,455,451	1,528,512
Cash paid to:		
Claimants or third parties on behalf of claimants	(973,693)	(938,136)
Employees and vendors for goods and services	(296,417)	(284,172)
	(1,270,110)	(1,222,308)
Cash flow from operating activities	185,341	306,204
Cash obtained from (used for) investing activities		
Net sale (purchase) of portfolio investments	(136,393)	(257,804)
Net sale (purchase) of property, plant, and equipment	(49,108)	(46,293)
Cash flow from (used for) investing activities	(185,501)	(304,097)
Net increase (decrease) in cash and cash equivalents	(160)	2,107
Cash and cash equivalents — January 1	(20,502)	(22,609)
Cash and cash equivalents — December 31 (Note 5)	**(20,662)**	**(20,502)**

The accompanying notes are an integral part of the financial statements.

Notes to the financial statements for the year ended December 31, 2007

Note 1 — Nature of operations

WorkSafeBC administers the *Workers Compensation Act* (the Act), enacted by the British Columbia Legislature in 1917. The Act was amended by the *Workers Compensation Amendment Act* (Bill 49 and Bill 63), and by the *Skills Development and Labour Statutes Amendment Act* (Bill 37).

The primary functions of WorkSafeBC under the Act are promotion of occupational health and safety; compensation for occupational injury, death, or disease; rehabilitation of injured workers; collection of the funds necessary for its operations from employers covered under the Act; and management of portfolio investments in compliance with the *Financial Administration Act*.

Premium rates are established at a level to provide for current and future costs of claims and operations arising from current claims, subject to a capping policy to moderate excessive changes in rates from year to year. WorkSafeBC may also levy a special premium when it is considered appropriate.

WorkSafeBC does not receive government funding or other assistance. It is, however, required by the Act to maintain an Accident Fund sufficient to meet all present and future costs (liabilities) for injuries arising in the current and previous years. WorkSafeBC uses a smoothed investment accounting method (please refer to the Financial Context on page 12) to determine the funding level of the Accident Fund and its rate groups. The funding strategy of WorkSafeBC is to be fully funded, with adequate capital reserves to mitigate against the risks in its assets and liabilities. Any balances in the unfunded liability or unappropriated balance are to be amortized on a five-year averaging basis through adjustments to future premium rates. While Canadian generally accepted accounting principles are applied for the purpose of disclosing its financial statements, WorkSafeBC applies the smoothed investment accounting method for its funding policy. This funding policy helps WorkSafeBC avoid premium rate volatility caused by short-term financial market fluctuations.

Note 2 — Significant accounting policies

The financial statements of WorkSafeBC have been prepared in accordance with Canadian generally accepted accounting principles. The following significant accounting policies have been adopted by the organization:

(a) Portfolio investments

WorkSafeBC invests in long- and short-duration fixed-term investments, and in publicly traded equities, real estate, private placements, and derivative financial instruments, through both segregated and pooled fund products managed by the British Columbia Investment Management Corporation (bcIMC). Fixed-term investments having terms greater than one year consist primarily of bonds of the Government of Canada, various provincial governments, Crown corporations, and high-quality corporations, as well as real-return bonds and fixed-term mortgages. Those having terms less than or equal to one year consist primarily of treasury bills and other money market instruments. WorkSafeBC's investment in derivative financial instruments — financial contracts whose values change in response to changes in the values of the underlying securities, reference rates, or indices — include forward foreign exchange contracts.

WorkSafeBC's fixed-term, equity, and real estate investments are designated as available-for-sale investments. They are reported at fair value, except for investments in private placements and foreign real estate, which do not have quoted market prices in the active market and are therefore reported at cost. The amounts by which fair values for these investments differ from costs represent unrealized gains and losses and are recognized in other comprehensive income. When an investment is sold, the cumulative unrealized gain or loss is reclassified as a realized gain or loss in investment income on the statement of operations.

Derivative financial instruments, though also stated at fair value, are classified as held-for-trading, with changes in fair value reflected in investment income as unrealized gains and losses.

All realized gains and losses from the sale of pooled fund units and segregated investments are recognized in investment income in the year of disposition. Realized gains and losses also include net annual realized trading gains and losses allocated to WorkSafeBC from the various pooled fund products included in WorkSafeBC's investment portfolio. Investment income also includes interest and dividends earned, and it is reduced by investment expenses incurred during the year.

WorkSafeBC utilizes trade date[a] accounting for all purchases and sales of financial instruments in its investment portfolio. The fair value of investments is market value. The market value

a Transactions are recorded on the date an agreement is entered (the trade date), and not on the date the transaction is finali zed (the settlement date). If the transaction involves interest, the interest is recorded on the settlement date.

Note 2 – continued

of publicly traded investments and forward foreign exchange contracts is based on quoted prices, while that of domestic real estate investments is based on independent appraisals.

Investments denominated in foreign currency are translated into Canadian dollars at the exchange rate in effect at the balance sheet date. Revenues and expenses are translated at the exchange rates in effect on the transaction date. The foreign currency exchange gains and losses for these investments are recorded in the same manner as other investment gains and losses.

(b) Property, plant, and equipment

Property, plant, and equipment are reported at cost and are amortized on a straight-line basis over their estimated useful lives.

The estimated useful lives of assets are as follows:

Buildings	20 to 40 years
Equipment	3 to 5 years
Furniture	10 years
Vehicles	7 years
Operating systems	5 to 7 years

Operating systems represent the direct costs incurred in developing new systems that are deferred and amortized on a straight-line basis from the date of implementation.

(c) Benefit liabilities

WorkSafeBC determines its liabilities at the end of each year for all injuries that have taken place to that time.

WorkSafeBC appoints an independent consulting actuary who examines the benefit liabilities and the underlying assumptions and methods, and issues a report thereon to WorkSafeBC. The opinion of the consulting actuary is appended to these financial statements.

The benefit liabilities represent the actuarial present value of all future benefit payments expected to be made for claims that occurred in the current fiscal year or in any prior year. The benefit liabilities include provision for all benefits provided by applicable legislation, policies, and/or administrative practices in respect of existing claims.

Benefit liabilities fall into three categories:

- The capitalized value of future monthly payments for pension awards already made
- A provision for future payments on claims that have not been finalized to date
- The capitalized value of the estimated future cost of administering existing claims

These benefits are calculated using a real discount rate of 3.5 percent — that is, the assumption is that investment income will be earned at an annual rate that is 3.5 percent higher than the annual rate of general inflation in the long term. This real discount rate gives rise to the net discount rates that are used in calculating the various components of the benefit liabilities. These net discount rates are the differences between the assumed investment rate (long-term assumption of 6 percent return) and the assumed growth rates of the specific factors driving benefit increases. These net discount rates are as follows:

Factor	Net discount rate
Health care inflation	1.0%
Wage growth	2.5%
Claim administration inflation	3.0%
Benefits indexed to inflation minus 1%	4.5%

As in prior years, the benefit liabilities make no provision for future claims related to long-latency occupational diseases because the determination of such claims cannot be reasonably estimated. However, a $200-million reserve was established in prior years to mitigate future claims relating to such diseases.

(d) Reserves

Special reserves

The $40-million Accident Fund special reserves established pursuant to Section 39 of the *Workers Compensation Act* are:

- Contingent Reserve [section 39(1)(b)], which provides a reserve in aid of industries or classes that may become depleted or extinguished.
- Disaster Reserve [section 39(1)(d)], which provides a reserve to meet the loss arising from a disaster or other circumstances that WorkSafeBC considers to be an unfair burden to the employers in a particular class.
- Enhancement Reserve [section 39(1)(e)], which provides a reserve for payment of that portion of a disability enhanced by reason of a pre-existing disease, condition, or disability.

Claims deemed by WorkSafeBC to be covered by these reserves are charged to current operations, but they are prorated to the various employer classes rather than being charged directly to any specific class.

Latent Occupational Disease Reserve

WorkSafeBC established a $200-million Latent Occupational Disease Reserve relating to occupational diseases that may have occurred in the current year or in prior years but will not be reported or recognized for a number of years due to the extended latency periods of such diseases.

Note 2 – continued

Earthquake Disaster Reserve

A $20-million Earthquake Disaster Reserve was established to provide for claims from workers who may be injured in the course of their employment during an earthquake disaster.

Research Reserve

The $30-million Accident Fund Research Reserve, established pursuant to section 111 of the *Workers Compensation Act*, is a reserve for the purpose of funding initiatives in scientific study, as well as disseminating and applying ways to reduce occupational injury, disease, impairment, or disability arising from employment, in support of WorkSafeBC's Strategic Plan. The $30-million reserve will remain intact, while investment income earned on the reserve, calculated using WorkSafeBC's smoothed accounting rate of return, will be directed to funding research. The management and fiduciary responsibility over the reserve is indivisible from the Accident Fund and may not be transferred to any other body or organization.

General Reserve

In 2006, WorkSafeBC established a $250-million General Reserve from its unappropriated balance to provide for special circumstances, including legislative changes, that may impact significantly on the organization's financial statements and the assessment rates levied in a particular year. The target level of the reserve will be evaluated and, if necessary, adjusted each year based on emerging circumstances, including pending legislation. This reserve will be drawn down when circumstances in the year would otherwise significantly impact employer assessment rates.

Capital Adequacy Reserve

WorkSafeBC established a Capital Adequacy Reserve in 2007 to ensure it maintains a funding level for the Accident Fund that is adequate to mitigate against the risks in its assets and liabilities. The Capital Adequacy Reserve balance was $890 million at December 31, 2007. Funds will be appropriated each year from the unappropriated balance into the Capital Adequacy Reserve, based on an internal policy, until the reserve is built up to the target Capital Adequacy Reserve level determined using a methodology derived from the federal Office of the Superintendent of Financial Institutions (OSFI) capital reserve guidelines. Note that although WorkSafeBC is not subject to regulatory oversight by OSFI, it seeks to provide security over worker benefits comparable to that required of private insurers regulated by OSFI.

	2007	2006
Capital Adequacy Reserve	890,000	300,000[a]
Target Capital Adequacy Reserve level	2,655,000	2,616,000
Percentage of target Capital Adequacy Reserve achieved	34%	11%

In 2007, $590 million was appropriated into the Capital Adequacy Reserve, bringing the reserve balance to 34 percent of target. Prior to 2007, an Investment Fluctuation Reserve was used to mitigate against the risks in the investment portfolio. WorkSafeBC appropriated amounts totalling $300 million from its unappropriated balance into the Investment Fluctuation Reserve, which was built up with $150-million appropriations in each of 2005 and 2006. This reserve was replaced by the Capital Adequacy Reserve in 2007, and the reserve balance of $300 million was transferred into the Capital Adequacy Reserve.

(e) Premium income and accrued premiums receivable

As a significant portion of premium income for the year is not received until after year-end, the amount shown is an estimate based on statistical data. The difference between the estimate and the actual income received is credited or charged to income in the following year. Historically, the difference has not been material.

(f) Self-insured employers

Certain employers are self-insured. These employers are billed on a monthly basis for payments of short-term disability, health care, vocational rehabilitation, and for the capitalized values of long-term disability and survivor benefits, together with their proportionate share of WorkSafeBC administrative costs.

The receivable in Note 4 represents a provision for expected future costs of current claims for self-insured classes, for which the final settlement has not been determined; it also includes unpaid current billings.

WorkSafeBC acts as the agent of the Government of Canada for the payment of compensation to federal employees in British Columbia. Amounts paid are recovered from the Government of Canada on a monthly basis.

(g) Use of accounting estimates

In accordance with Canadian generally accepted accounting principles, WorkSafeBC's financial statements include management's best estimates of the reported amounts of assets and liabilities as at the date of the financial statements and the

a In 2006, this amount was in the Investment Fluctuation Reserve. The Investment Fluctuation Reserve balance was transferred in to the Capital Adequacy Reserve in 2007.

Note 2 – continued

reported amounts of income and expenses during the reporting periods presented. Actual results may differ from management's estimates by significant amounts. Claim benefit liabilities and accrued premiums are the most significant items that reflect estimates in these financial statements.

(h) Changes in accounting policy

WorkSafeBC has elected early adoption of Section 1535 (Capital Disclosures) of the Canadian Institute of Chartered Accountants (CICA) handbook for its fiscal year ending December 31, 2007. The adoption of these standards resulted in disclosure of information about WorkSafeBC's capital and how it is managed, which includes WorkSafeBC's objectives, policies, and processes for managing capital; quantitative data about what it regards as capital and whether WorkSafeBC has complied with any capital requirements; and the consequences of non-compliance with such capital requirements (see Note 19).

(i) Future accounting and reporting changes

In December 2006, the CICA issued two new accounting standards, Section 3862 (Financial Instruments — Disclosures) and Section 3863 (Financial Instruments — Presentation), which apply to annual financial statements relating to fiscal years beginning on or after October 1, 2007. These new standards are effective for WorkSafeBC beginning January 1, 2008. Adoption of these new standards will result in WorkSafeBC revising and enhancing its disclosure requirements, and carrying its presentation requirements forward unchanged. These include both qualitative and quantitative disclosures about the nature and extent of risks arising from financial instruments and how WorkSafeBC manages those risks.

Note 3 – Prior-period adjustment ($ thousands)

In 2007, WorkSafeBC reassessed its accounting treatment for the recognition of income from fixed-term investments that are not held in pooled funds (i.e., long bonds and real-return bonds). After further review of Section 3855 (Financial Instruments — Recognition and Measurement) of the CICA handbook, WorkSafeBC determined that it should have used the effective interest method to calculate the amortized cost of investments in long bonds and real-return bonds for the purpose of allocating interest income over the relevant accounting periods. WorkSafeBC had been using the straight-line method to calculate the amortized cost, which resulted in the overstatement of interest income and understatement of unrealized gains on available-for-sale investments in prior periods.

The 2006 comparative figures have been restated to reflect the revised bond amortization method, resulting in a $69,058 decrease in opening unappropriated balance with an offsetting increase in opening accumulated other comprehensive income (AOCI), and a $9,242 increase in surplus from operations with an offsetting increase in other comprehensive loss. The net effect of these changes is a $59,816 decrease in the 2006 closing unappropriated balance, and an offsetting increase in closing AOCI.

Summarized below is the impact of the prior-period adjustment on the 2006 comparative figures as originally reported in the 2006 annual report:

	2006 financial statements — per 2006 annual report	Prior-period adjustment	2006 financial statements — restated
Statement of operations			
Earned income	314,308	(10,843)	303,465
Realized gains on investments	887,708	20,085	907,793
Surplus from operations	986,352	9,242	995,594
Other comprehensive loss	(15,571)	(9,242)	(24,813)
Total comprehensive income	970,781	—	970,781
Unappropriated balance and AOCI			
Unappropriated balance — opening	689,841	(69,058)	620,783
Unappropriated balance — closing	1,276,193	(59,816)	1,216,377
AOCI — opening	1,107,098	69,058	1,176,156
AOCI — closing	1,091,527	59,816	1,151,343

Note 4 – Receivables ($ thousands)

	2007	2006
Premiums	22,964	23,758
Accrued premiums	263,671	273,609
Self-insured employers — receivable	167,797	191,294
Premiums receivable	454,432	488,661
Self-insured employers — deposits	(14,417)	(13,322)
Accrued benefit asset (Note 15)	72,861	63,764
Other receivables	2,928	3,398
	515,804	**542,501**

Note 5 – Portfolio investments ($ thousands)

	2007	2006
(a) Portfolio investments		
Fixed-term investments, over one year, market value		
Government bonds	2,384,022	1,947,213
Corporate bonds	1,163,425	1,098,190
Long bonds	234,164	557,682
Real-return bonds	625,776	637,736
Fixed-term mortgages	239,895	191,915
	4,647,282	4,432,736
Fixed-term investments, under one year, market value		
Canadian short-term investments	279,205	625,227
Equities, market value		
Canadian index fund	719,087	542,598
Active Canadian equities	1,421,591	1,641,631
U.S. index fund	149,010	272,765
Active U.S. equities	563,966	723,415
International index funds	230,775	371,156
Active international equities	1,464,828	1,355,477
	4,549,257	4,907,042
Domestic real estate, market value	1,534,334	933,617
Foreign real estate, at cost	134,562	110,360
Private placement pool, at cost	546,762	446,758
Currency hedging fund	77,588	47,353
Currency overlay fund	13,631	14,846
Bank float	(20,662)	(20,502)
	11,761,959	**11,497,437**
(b) Investment income		
Interest income	238,018	206,419
Dividends and other earned income	160,430	97,046
Earned income	398,448	303,465
Realized gains on investments	723,764	907,793
Unrealized gains (losses) on held-for-trading investments	(19,324)	(24,715)
	1,102,888	**1,186,543**

Note 5 — continued

(c) Gains (losses) on portfolio investments	2007	2006
Realized gains (losses) on all investments sold during the year		
Fixed-term investments	(6,942)	41,349
Equities, real estate, currency overlay, and other pooled funds	716,229	859,460
Derivative financial instruments	14,477	6,984
	723,764	**907,793**
Unrealized gains (losses) on held-for-trading investments		
Derivative financial instruments	**(19,324)**	**(24,715)**
Unrealized gains (losses) on available-for-sale investments		
Fixed-term investments	(92,867)	(95,941)
Equities, real estate, currency overlay, and other pooled funds	(528,019)	71,128
	(620,886)	**(24,813)**

Investment risk management

The Board of Directors of WorkSafeBC is responsible for developing policies to ensure adequate funding of the Accident Fund, and for approving investments of WorkSafeBC funds under section 82(2)(c) of the Act. To that end, the Board of Directors has developed a risk budget specifying the acceptable amount of financial risk for investing the funds on a prudent basis to achieve reasonable returns. To assist them in the discharge of these responsibilities, the Board of Directors has appointed an Investment Committee consisting of internal and independent external voting members. This committee manages WorkSafeBC's Accident Fund under the parameters set out by the Board of Directors' statement of investment policies and goals for the Accident Fund.

Under the direction of the Investment Committee, the management and investment of the Accident Fund is carried out by the British Columbia Investment Management Corporation (bcIMC), a corporation established under the *Public Sector Pension Plans Act*. The Accident Fund invests in short-term money market investments, bonds, equities, mortgages, real estate, and private placements through pooled funds, segregated funds, or direct and indirect investments managed by bcIMC. Additional income is also earned by participating in securities-lending arrangements through bcIMC, whereby securities are loaned to and secured by borrowers and approved by the custodian, RBC Global Services. At December 31, 2007, secured loans amounted to $16,907 (2006: $36,307).

Credit risk management

Credit risk on financial instruments arises from the possibility of a counter-party to an instrument failing to meet its obligations. Therefore, all issuers of debt instruments — including government, non-government, and other counter-parties — must have a credit rating of at least BBB in order to be eligible for consideration by WorkSafeBC as a direct investment. For indirect investment in pooled funds, WorkSafeBC mitigates credit risk exposure by ensuring the Accident Fund invests in pooled funds with investment policies that provide an adequate minimum credit rating and well-diversified portfolio with limited exposure to any one industry or economy.

Foreign exchange risk management

WorkSafeBC has investments denominated in foreign currencies, which are exposed to currency risk. To mitigate this risk, WorkSafeBC utilizes a currency hedging strategy by participating in currency hedging funds managed by bcIMC, or by entering into direct foreign exchange forward contracts, which represent commitments to exchange two currencies at a specified future date based on a rate agreed to by both parties at the inception of the contract, for the sole purpose of hedging foreign currency exposure. The notional amount of direct foreign exchange forward contracts, which is defined as the contractual amounts on which payments are made, amounted to $375,954 at December 31, 2007 (2006: $863,588). Their related replacement value at December 31, 2007, was negative $4,596 (2006: negative $15,893).

Note 5 —continued

Inflation risk management

WorkSafeBC is exposed to fluctuations in inflation rate because its compensation benefits are indexed annually against the increase in the October consumer price index (CPI) up to a maximum annual rate of 4 percent. To mitigate the effect of inflation on WorkSafeBC's future liabilities, the Accident Fund holds Canadian real-return bonds which are indexed to the annual change in the CPI. These bonds have an effective yield of 2.0 percent, excluding the CPI component, at December 31, 2007 (2006: 1.8 percent).

Liquidity risk management

The Accident Fund is exposed to liquidity risk through its responsibility to provide funding for WorkSafeBC operations such as benefit payments and administration expenses. Cash inflow and outflow from operations during 2007 netted to almost zero. WorkSafeBC always maintains a portion of its investments in highly liquid short-term money market investments and, in addition, maintains a $100-million line of credit with its principal banker to meet potential liquidity requirements. As at December 31, 2007, the reconciled bank balance was negative $20,662 (2006: negative $20,502).

Interest rate risk management

Fluctuations in interest rates can impact the market value of the fixed-income portfolio, as well as shift investor preferences among asset classes. Interest rate risk is minimized by managing the duration of the fixed-income portfolio within predetermined prudent policy limits. The following table summarizes the remaining term to maturity of WorkSafeBC's outstanding fixed-term investments.

	Remaining term to maturity					
	Within 1 year	**1 to 5 years**	**5 to 10 years**	**Over 10 years**	**Total 2007**	**Total 2006**
Government bonds						
Fair value	13,132	796,429	1,067,506	506,955	2,384,022	1,947,213
Amortized book value	13,096	794,100	1,062,606	498,083	2,367,885	1,947,010
Corporate bonds						
Fair value	—	380,425	502,064	280,936	1,163,425	1,098,190
Amortized book value	—	379,880	509,968	284,270	1,174,118	1,083,284
Long bonds						
Fair value	—	—	—	234,164	234,164	557,682
Amortized book value	—	—	—	194,892	194,892	462,612
Real-return bonds						
Fair value	—	—	—	625,776	625,776	637,736
Amortized book value	—	—	—	575,518	575,518	565,026
Fixed-term mortgage						
Fair value	36,083	96,783	100,357	6,672	239,895	191,915
Amortized book value	36,657	96,599	102,586	6,554	242,396	189,486
Total						
Fair value	49,215	1,273,637	1,669,927	1,654,503	4,647,282	4,432,736
Amortized book value	49,753	1,270,579	1,675,160	1,559,317	4,554,809	4,247,418

The average yield reflects the yield to maturity, which is the discount rate that makes the present value of future cash flows of each fixed-term investment equal to its fair value. The average yield of these fixed-term investments, excluding real-return bonds, at December 31, 2007, is 4.5 percent (2006: 4.3 percent).

Real estate risk management

Risk in the real estate portfolio is managed through diversification across real estate types and locations. Adverse impacts in any one segment of the market or geographic location are minimized by having holdings diversified across residential, commercial, industrial, and development markets.

Note 6 – Property, plant, and equipment ($ thousands)

	2007			2006
	Cost	Accumulated amortization	Net book value	Net book value
Land	3,760	—	3,760	3,760
Buildings[a]	95,558	48,685	46,873	47,261
Furniture, equipment, and vehicles	96,209	77,718	18,491	18,087
Operating systems[a]	219,711	123,781	95,930	79,451
	415,238	**250,184**	**165,054**	**148,559**

Note 7 – Payables and accruals ($ thousands)

	2007	2006
Accrued staff benefits	191,564	168,874
Vendor payables	14,821	17,539
Pre-2000 subclass surplus credits[b]	11,493	13,045
Other payables	15,073	16,018
	232,951	**215,476**

Note 8 – Benefit liabilities ($ thousands)

	2007							2006
	Short-term disability	Long-term disability	Survivor benefits	Health care	Vocational rehabilitation	Claim administration	Total	Total
Balance — January 1	291,669	5,701,349	801,618	1,261,999	191,916	516,750	8,765,301	8,576,574
Add: Claim costs								
Current year's injuries	259,165	263,568	25,349	250,326	51,596	189,377	1,039,381	972,291
Prior years' injuries	(6,448)	31,054	40,076	22,785	(16,099)	5,992	77,360	152,302
	252,717	294,622	65,425	273,111	35,497	195,369	1,116,741	1,124,593
Less: Claim payments made								
Current year's injuries	146,605	2,617	979	89,480	1,688	94,301	335,670	307,596
Prior years' injuries	111,909	354,764	60,897	151,994	50,861	98,574	828,999	811,278
	258,514	357,381	61,876	241,474	52,549	192,875	1,164,669	1,118,874

(table continued on next page)

a Included in the buildings and operating systems cost are deferred costs of $18,999 (2006: $16,606) for construction and $53,030 (2006: $45,355) for systems development projects. These costs will not be amortized until the projects are substantially completed.

b Since WorkSafeBC implemented its new classification and experience rating systems in 2000, employers in former subclasses with a surplus at December 31, 1999 (total of $431 million), have had their surpluses abated back to them through the rate-setting process generally over a five-year period commencing in 2000. This distribution ended in 2004, except for a few remaining employers who will continue to receive credits until 2009, due to the application of a 1999 decision by the Panel of Administrators. The decision limited the amount of surplus that can be distributed to the individual employers in a year to 50 percent of their annual assessments. The abatement accrual includes interest earned on the subclass surpluses.

Note 8 – continued

	2007							2006
	Short-term disability	Long-term disability	Survivor benefits	Health care	Vocational rehabilitation	Claim administration	Total	Total
Add: Non-recurring expenses								
Pre-June 30, 2002, permanent disability pensions adjustment[a]	—	(113,360)	—	—	—	—	(113,360)	183,008
Mortality rate adjustment[b]	—	147,975	—	—	—	—	147,975	—
	—	34,615	—	—	—	—	34,615	183,008
Balance — December 31	**285,872**	**5,673,205**	**805,167**	**1,293,636**	**174,864**	**519,244**	**8,751,988**	**8,765,301**
Represented by:								
Provision for unfinalled claims	285,872	2,257,692	75,224	1,293,636	174,864	519,244	4,606,532	4,532,438
Pension awards, capitalized values	—	3,380,898	729,943	—	—	—	4,110,841	4,049,855
Provision for non-recurring expenses	—	34,615	—	—	—	—	34,615	183,008
	285,872	**5,673,205**	**805,167**	**1,293,636**	**174,864**	**519,244**	**8,751,988**	**8,765,301**

The following is a reconciliation of the claim benefit liabilities ($ thousands):

	2007							2006
	Short-term disability	Long-term disability	Survivor benefits	Health care	Vocational rehabilitation	Claim administration	Total	Total
Balance — January 1	291,669	5,701,349	801,618	1,261,999	191,916	516,750	8,765,301	8,576,574
Add:								
Provision for current year's injuries	112,560	260,951	24,370	160,846	49,908	95,076	703,711	664,695
Accretion expense for prior years' liabilities[c]	14,119	328,551	46,019	70,732	9,840	27,862	497,123	364,084
Prior years' claim costs experience lower than expected	(20,567)	(297,497)	(5,943)	(47,947)	(25,939)	(21,870)	(419,763)	(211,782)
Provision for non-recurring expenses	—	34,615	—	—	—	—	34,615	183,008
	106,112	326,620	64,446	183,631	33,809	101,068	815,686	1,000,005
Less:								
Payments for prior years' injuries	111,909	354,764	60,897	151,994	50,861	98,574	828,999	811,278
Balance — December 31	**285,872**	**5,673,205**	**805,167**	**1,293,636**	**174,864**	**519,244**	**8,751,988**	**8,765,301**

a On May 5, 2006, the Supreme Court of B.C. clarified how WorkSafeBC must interpret and adjudicate deteriorations of permanent disabilities. It ruled that deteriorations of permanent injuries that first occurred prior to June 30, 2002, should be adjudicated under the former provisions of the Act, which meant, among other things, that these deteriorations were to be compensated through lifetime pensions rather than pensions ending at age 65. The total financial impact of this decision was originally estimated at $185 million in 2006. The estimate was reduced to $74 million in 2007 based on claim experience in 2007. The effect of the change in estimate was recognized in 2007.

b In 2007, WorkSafeBC revised its mortality assumptions to reflect the continuing longer lifespans of injured workers who receive pension benefits. The last significant adjustment to the mortality assumptions was made in 2002. The effect of this change was to increase the claim costs by $148 million in 2007.

c This amount represents the expected interest accrued on the benefit liabilities for prior years' injuries (i.e., opening benefit liabilities).

Note 9 — Changes in actuarial valuation of benefit liabilities ($ thousands)

	2007			2006		
	Claim costs	*Less:* Benefit payments	Changes in actuarial valuation of benefit liabilities	Claim costs	*Less:* Benefit payments	Changes in actuarial valuation of benefit liabilities
Short-term disability	252,717	258,514	(5,797)	217,624	238,037	(20,413)
Long-term disability	294,622	357,381	(62,759)	376,384	367,203	9,181
Survivor benefits	65,425	61,876	3,549	58,781	62,518	(3,737)
Health care	273,111	241,474	31,637	258,307	220,879	37,428
Vocational rehabilitation	35,497	52,549	(17,052)	3,627	47,238	(43,611)
Balance before claim administration	921,372	971,794	(50,422)	914,723	935,875	(21,152)
Claim administration	195,369	192,875	2,494	209,870	182,999	26,871
	1,116,741	1,164,669	(47,928)	1,124,593	1,118,874	5,719
Non-recurring expenses						
Pre-June 30, 2002, permanent disability pensions adjustment[a]	(111,461)	1,899	(113,360)	185,269	2,261	183,008
Mortality rate adjustment[b]	147,975	—	147,975	—	—	—
	36,514	1,899	34,615	185,269	2,261	183,008
	1,153,255	**1,166,568**	**(13,313)**	**1,309,862**	**1,121,135**	**188,727**

Note 10 — Reserves ($ thousands)

	2007	2006
The reserves balance at December 31 is represented by Note 2(d):		
(a) Special reserves		
Contingent Reserve	2,500	2,500
Disaster Reserve	16,500	16,500
Enhancement Reserve	21,000	21,000
	40,000	40,000
(b) Latent Occupational Disease Reserve	200,000	200,000
(c) Earthquake Disaster Reserve	20,000	20,000
(d) Research Reserve	30,000	30,000
(e) General Reserve	250,000	250,000
(f) Capital Adequacy Reserve	890,000	300,000
	1,430,000	**840,000**

a On May 5, 2006, the Supreme Court of B.C. clarified how WorkSafeBC must interpret and adjudicate deteriorations of permanent disabilities. It ruled that deteriorations of permanent injuries that first occurred prior to June 30, 2002, should be adjudicated under the former provisions of the Act, which meant, among other things, that these deteriorations were to be compensated through lifetime pensions rather than pensions ending at age 65. The total financial impact of this decision was originally estimated at $185 million in 2006. The estimate was reduced to $74 million in 2007 based on claim experience in 2007. The effect of the change in estimate was recognized in 2007.

b In 2007, WorkSafeBC revised its mortality assumptions to reflect the continuing longer lifespans of injured workers who receive pension benefits. The last significant adjustment to the mortality assumptions was made in 2002. The effect of this change was to increase the claim costs by $148 million in 2007.

Note 10 — continued

Claims covered by the special reserves are charged to current operations. The following are the claim costs relating to special reserves. These costs are included in the total claim costs shown in Notes 8 and 9.

	2007				2006
	Contingent	Disaster	Enhancement	Total	Total
Special reserves costs					
Short-term disability	—	—	28,741	28,741	26,393
Long-term disability	—	—	36,800	36,800	46,364
Survivor benefits	—	—	—	—	(1,298)
Health care	—	—	19,473	19,473	17,850
Vocational rehabilitation	—	—	5,768	5,768	5,146
	—	—	**90,782**	**90,782**	**94,455**

Note 11 — Premiums ($ thousands)

	2007	2006
Rateable classes	1,186,146	1,112,061
Abatement of excess surplus[a]	(86,252)	—
Abatement of pre-2000 subclass surplus[b]	(5,604)	(6,964)
Interest on pre-2000 subclass surplus[b]	(1,735)	19,484
Partners Program financial incentives[c]	(3,105)	(1,884)
Penalties	5,959	5,497
Capping of rate changes and amortization of balance[d]		
Capping of rate changes	44,351	12,697
Amortization of balance	(90,984)	81,596
	(46,633)	94,293
	1,048,576	1,222,487
Levy for injury-reduction initiatives	14,588	10,245
Rateable employers	1,063,364	1,232,732
Self-insured employers (Note 12)	18,532	34,506
	1,081,896	**1,267,238**

a In 2007, WorkSafeBC distributed surplus rebates to employers in six rate groups that had excess funding levels compared with the normal funding levels in all other rate groups. The distribution reduced the funding levels for these six rate groups to levels comparable with other rate groups in a surplus position.

b Since WorkSafeBC implemented its new classification and experience-rating systems in 2000, employers in former subclasses with a surplus at December 31, 1999 (total of $431 million), have had their surpluses abated back to them through the rate-setting process, generally over a five-year period commencing in 2000. This distribution ended in 2004, except for a few remaining employers who will continue to receive credits until 2009, due to the application of a decision made by the Panel of Administrators in 1999 that limited the amount of surplus that can be distributed to the individual employers in a year to equal 50 percent of their annual assessments. The total amount abated to employers in 2007 was $5.6 million relating to the subclass surpluses ($7.0 million in 2006), plus $1.7 million in interest earned on the subclass surpluses ($2.1 million in 2006). In 2006, accrued interest of $21.6 million payable to cancelled pre-2000 employer accounts was reversed and recognized as a positive adjustment to the 2006 premium income.

c The Partners in Injury and Disability Prevention program is an employer incentive program in support of the WorkSafeBC vision of workers and workplaces safe and secure from injury, illness, and disease. Through financial incentives, this program encourages employers to implement health, safety, and return-to-work management systems.

d The capping of rate changes represents the effect of WorkSafeBC's policy to limit changes to the rates of any rate group from year to year. The amortization of the balance represents the effect of the planned amortization of the projected unappropriated balance (surplus or deficit determined on a smoothed basis) of each rate group at the beginning of each appropriate year.

Note 12 — Self-insured employers ($ thousands)

	2007	2006
Current premium income	**18,532**	**34,506**
Claim costs:		
Short-term disability	11,516	9,781
Long-term disability	(1,108)	13,610
Survivor benefits	1,976	2,546
Health care	4,634	7,307
Vocational rehabilitation	745	(1,474)
Claim administration	4,219	5,861
	21,982	37,631
Share of special reserves costs	3,001	3,232
Operating costs	7,507	6,928
	32,490	47,791
Share of investment income	(13,958)	(13,285)
	18,532	**34,506**

Included in the benefit liabilities is $167 million (2006: $195 million) of provision for unfinalled claims for self-insured employers (except for the federal government). An equivalent amount is included in receivables because these liabilities will be paid by those employers in future years; hence they do not affect WorkSafeBC's unfunded liability.

Note 13 — Operating costs ($ thousands)

	2007						2006
	Prevention	**Customer services**	**Information technology and facilities**	**Corporate services**	**WCAT, Review Division, and advisers**	**Total**	**Total**
Salaries and employee benefits (see Note 14)	32,849	112,672	23,014	64,134	9,712	242,381	222,081
Amortization of property, plant, and equipment	2,081	7,496	12,565	5,051	607	27,800	34,534
WCAT and advisers	—	—	—	—	26,787	26,787	25,401
Office expenses and communication	1,413	5,445	9,302	1,411	247	17,818	16,965
Building expenses	137	1,832	7,554	946	41	10,510	10,143
Consulting fees	800	1,161	6,282	6,305	33	14,581	10,444
Travel and vehicle expenses	2,708	2,937	350	437	37	6,469	5,673
Personal computer leases	508	1,450	628	508	97	3,191	3,417
Sessional doctor fees	—	4,444	—	1	25	4,470	3,971
Other administration expenses	2,611	9,016	1,158	14,332	318	27,435	27,701
Injury-reduction initiatives	13,908	—	—	680	—	14,588	10,245
Cost recoveries	(653)	(17,789)	(9,245)	(14,983)	—	(42,670)	(39,251)
	56,362	128,664	51,608	78,822	37,904	353,360	331,324
Less:							
Claim administration payments	—	106,811	26,185	33,582	26,297	192,875	182,999
	56,362	**21,853**	**25,423**	**45,240**	**11,607**	**160,485**	**148,325**

Note 14 — Executive salaries and benefits

The table below shows the total compensation for senior executive management of WorkSafeBC:

	2007					2006
	Base salary	Benefits	Bonus	Other earnings	Total	Total
President and Chief Executive Officer	278,269	42,067	48,125	12,696	381,157	333,231
Vice-President, Finance, Information Services, and Stakeholder Relations and Chief Financial Officer	218,761	32,215	31,320	12,403	294,699	240,684
Vice-President, Claims Management Solutions and Assistant Chief Financial Officer	199,300	31,260	31,320	11,773	273,653	251,382
Vice-President, Policy, Investigations, and Review	199,300	31,423	31,320	16,136	278,179	241,663
Vice-President, Worker and Employer Services	199,300	30,699	31,320	9,651	270,970	239,332
Vice-President, Human Resources and Facilities	174,515	26,982	28,260	10,591	240,348	220,553
	1,269,445	**194,646**	**201,665**	**73,250**	**1,739,006**	**1,526,845**

Bonuses were awarded based on the achievement of corporate goals and specific performance targets (see page 26).

Benefits include medical benefits, dental benefits, group life insurance, disability plans, and the employer's share of contributions or payments to the WorkSafeBC employee pension plan, Canada Pension Plan, and Employment Insurance.

Other earnings include car allowances and supplementary executive allowances for reimbursement of medical, dental, and insurance expenses not covered in the employee benefit plans.

Note 15 — Employee benefit plans ($ thousands)

WorkSafeBC has several employee benefit plans that provide pension and other post-employment benefits to its employees.

WorkSafeBC and its employees contribute to the Workers' Compensation Board Superannuation Plan, a defined benefit plan. The plan provides pensions based on length of service and best five-year average earnings. For funding purposes, and to determine the contribution rate, the plan requires an actuarial valuation of the plan's liabilities at intervals of not more than three years. The last valuation was carried out as at March 31, 2006. In addition, WorkSafeBC also has a financial obligation relating to the basic medical and extended health care benefits it provides to eligible WorkSafeBC retirees; WorkSafeBC employees are not required to contribute toward these health care benefits.

The cost of these retirement benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of expected plan investment performance, compensation level increases, retirement ages of employees, and expected health care costs. Pension plan assets are recognized at fair value and the expected return is also based on the fair value of its assets. The March 31, 2006, funding valuation results were used to derive the projected liabilities at year-end.

The total net actuarial gains or losses are amortized when the amount exceeds 10 percent of the greater of the accrued benefit obligation at the beginning of the year and the fair value of plan assets at the beginning of the year. The net actuarial gains or losses are amortized on a straight-line basis over the average remaining service period of active employees expected to receive benefits under the plan.

The significant actuarial assumptions adopted in valuing WorkSafeBC's benefit plan expenses are shown in the following table.

Note 15 — continued

	Pension plan		Other benefit plans	
	2007	2006	2007	2006
Discount rate[a]	5.35%	5.00%	5.35%	5.00%
Expected long-term rate of return on plan assets[a]	5.35%	5.00%	—	—
Rate of compensation increase/health care cost increase[a]	2.35%	2.00%	4.35%	4.00%
Average remaining service period of active employees expected to receive benefits under the plans	10.0 years	10.0 years	10.0 years	10.0 years

Aggregated information about WorkSafeBC's employee benefit plans is summarized below.

	Pension plan		Other benefit plans	
	2007	2006	2007	2006
Accrued benefit obligation — December 31	867,852	840,818	105,018	97,259
Fair value of plan assets — December 31	949,095	904,849	—	—
Funded status — plan surplus (deficit) — December 31	**81,243**	**64,031**	**(105,018)**	**(97,259)**
Unamortized net actuarial loss — December 31	31,632[b]	53,086	16,858[b]	17,694
Unamortized transitional asset — December 31[c]	(40,014)	(53,353)	—	—
Accrued benefit asset (liability) — December 31	**72,861**	**63,764**	**(88,160)**	**(79,565)**
Employee contributions	11,117	11,170	—	—
Employer contributions	14,750	14,702	—	—
Net benefit plan expenses				
Actual return on plan assets	(41,154)	(93,646)	—	—
Actuarial gain (loss) on plan assets	(4,166)	53,912	—	—
Expected return on plan assets	(45,320)	(39,734)	—	—
Employer current service cost	22,012	21,990	4,611	4,704
Interest cost on accrued benefit obligation	42,300	39,119	—	—
Amortization of:				
Transitional assets[c]	(13,339)	(13,339)	—	—
Net actuarial loss	—	4,876	797	1,311
Pension expense	**5,653**	**12,912**	**5,408**	**6,015**

The accrued benefit asset relating to WorkSafeBC's pension plan is included in accounts receivable (Note 4), while the accrued benefit liability relating to its other employee benefit plans is included in accounts payable (Note 7). In 2007, an interest cost of $4,935 (2006: $4,719) on WorkSafeBC's accrued benefit obligation relating to its retirees' post employment medical benefits was offset by the interest earned by the portion of the Accident Fund that has been internally restricted for the purpose of supporting this financial obligation.

a The rates shown in the 2007 column were effective as of December 31, 2007. The 2007 rates were applied in determining the benefit plan balances at December 31, 2007. The rates shown in the 2006 column were effective from December 31, 2006, to December 30, 2007. The 2006 rates were applied in determining the 2007 benefit plan expenses.

b Includes actuarial gains arising during 2007 on the accrued benefit obligation: $25,620 for the pension plan, and $38 for other benefit plans.

c Pension plan assets and liabilities were revalued at January 1, 2000, from smoothed values to market values. The revaluation was due to a change in Canadian accounting standards for employee future benefits. The revaluation created a surplus of assets values over liabilities of $146,726 at January 1, 2000. The surplus (transitional asset) is being amortized over 11 years, which was the expected remaining service life of active employees at the time of the revaluation. To December 31, 2007, $106,712 has been amortized, leaving an unamortized transitional asset balance of $40,014, which will be fully amortized by 2010.

Note 16 – Gain and loss analysis ($ thousands)

The following is a reconciliation of the variances from the actuarial assumptions for the rateable classes (rounded to the nearest $1 million).

	2007	2006
Unappropriated balance — January 1	659,000	379,000
Current year's excess — rateable classes		
Current year's claim and operating costs[a]		
Estimated	1,191,000	1,140,000
Actual	(1,162,000)	(1,085,000)
	29,000	55,000
Premium income adjustments		
Abatement and interest on pre-2000 subclass surplus	(7,000)	13,000
Amortization of balance	(91,000)	82,000
Capping of premium rate changes	44,000	13,000
Prior years' adjustments and miscellaneous	(74,000)	(15,000)
	(128,000)	93,000
Impact of non-recurring expenses (Note 8)		
Pre-June 30, 2002, permanent disability pensions adjustment	107,000	(176,000)
Mortality rate adjustment	(143,000)	—
	(36,000)	(176,000)
Prior years' experience gain (loss)		
Short-term disability	24,000	35,000
Long-term disability	279,000	100,000
Survivor benefits	6,000	3,000
Health care	44,000	23,000
Vocational rehabilitation	25,000	54,000
Claim administration	19,000	(14,000)
Miscellaneous items	107,000	54,000
	504,000	255,000
Investment income excess over consumer price index plus underlying real interest assumption (2007: 3.5 percent; 2006: 3.5 percent)	415,000	453,000
Appropriation to Capital Adequacy Reserve (Note 2(d))	(590,000)	(150,000)
Appropriation to General Reserve	—	(250,000)
Unappropriated balance — December 31 — on funding basis[b]	**853,000**	**659,000**
Smoothing differences[c]	645,000	558,000
Unappropriated balance — December 31 — on GAAP basis (Exhibit 3)	**1,498,000**	**1,217,000**

a The current year's claim and operating costs line, shown as "estimated," represents the estimate for the cost of current year 's injuries which was incorporated into the premium rates set for that year for rateable employers. The "actual" line represents the actual cost of the current year's injuries as estimated at the end of that year. The difference line thus provides a measure of the accuracy of the cost provision in the premium rate.

b This fund balance represents the amount that is incorporated into the rate-setting process, calculated in the year following the date of the financial results.

c "Smoothing differences" represents the variance between the financial results on the fair value investment accounting or GAAP basis and on the smoothed investment accounting or funding basis. It represents the amount that will be factored into the rate-setting process in future years.

Note 17 — Lease commitments ($ thousands)

WorkSafeBC has several operating leases relating to computer equipment and office spaces. The future lease payments expected to be charged against operating costs over the next five years is as follows:

2008	6,722
2009	6,443
2010	6,418
2011	6,360
2012	6,335
	32,278

Note 18 — Contingent liabilities

Interest policy

A decision by the Supreme Court of B.C. in 2007 could result in a change in WorkSafeBC's interest policy, implemented in 2001, for retroactive benefit payments. Prior to 2001, WorkSafeBC paid interest on retroactive short-term and long-term disability payments. After implementation in 2001 of the new interest policy, interest is paid only where it is demonstrated that a WorkSafeBC staff error necessitated the retroactive payment. On September 26, 2007, the Supreme Court of B.C. ruled that WorkSafeBC's interest policy is not supported by the *Workers Compensation Act*. WorkSafeBC has filed a notice to appeal this decision. Based on information presently available, the likely outcome of the appeal is not determinable. The amount of any potential loss cannot be reasonably estimated until the interest policy is amended, if necessary, and will be recorded at the time of that determination.

Legal proceedings

At any given time, WorkSafeBC is party to various claims and legal proceedings related to its operations. Management believes that the organization has strong defences against these claims and that no financial provisions for them are appropriate or required.

Note 19 — Capital management ($ thousands)

WorkSafeBC's objectives in managing capital are:

- To build up capital to a level that provides a comparable degree of security of worker benefits to that required for private insurers regulated under the federal Office of the Superintendent of Financial Institutions (OSFI). WorkSafeBC has adopted a capital adequacy policy modelled after OSFI guidelines.
- To mitigate against the risks in the investment portfolio and reduce volatility of employer premium rates arising from investment in equities. Equity investments are expected to produce higher long-term returns and thus lower long-term employer assessment costs, but they are subject to market volatility. Strong capital reserves can be drawn upon to limit employer premium rate volatility arising from investment in equities.
- To cover reasonable levels of both foreseen and unforeseen plausible events that, even though occurring relatively infrequently, could have a significant financial impact on WorkSafeBC.

These objectives are in line with WorkSafeBC's strategic objective to ensure long-term financial sustainability of the workers' compensation system.

The table below shows the total capital available (sum of the unappropriated balance, accumulated other comprehensive income, and reserves), target capital requirement level, and target capital requirement ratio (total capital available divided by target capital requirement level). WorkSafeBC manages its capital on the basis of achieving 100 percent of the target capital requirement level.

	2007	2006
Total capital available	3,457,878	3,207,720
Target capital requirement level[a]	3,195,000	3,156,000
Target capital requirement ratio	108%	102%

a The target capital requirement level is made up of the target Capital Adequacy Reserve level (see Note 2(d)) and total other reserves.

Note 19 — continued

A higher capital reserve level is an indication of an organization's ability to withstand economic, investment return, and actuarial uncertainties. For insurance companies, OSFI requires adequate capital reserves to cover balance sheet and underwriting risk. The target capital requirement level is calculated by applying varying risk factors to asset and benefit liability items, with higher factors applied for those items with greater underlying risk. The risk factors used are derived from OSFI guidelines for private insurers.

Note 20 — Related-party transactions ($ thousands)

WorkSafeBC is required to reimburse the Government of British Columbia for the operating costs of the Workers' Compensation Appeal Tribunal (which replaced the Workers' Compensation Review Board in March 2003), the Workers' Advisers Office, and the Employers' Advisers Office. As disclosed in Note 13 on page 85, the total amount reimbursed to the Province for the operation of these external bodies in 2007 was $26,787 (2006: $25,401).

In addition to previously mentioned legislated obligations, these financial statements include amounts resulting from routine operating transactions conducted at prevailing market prices with various B.C. government-controlled ministries, agencies, and Crown corporations to which WorkSafeBC may be considered related.

Account balances resulting from these transactions are included in the financial statements and are settled on normal trade terms.

Note 21 — Comparative figures

Certain 2006 figures have been reclassified to conform to the current year's presentation.

Eckler Ltd.

Actuary's opinion

The liabilities included herein have been computed by WorkSafeBC in accordance with methods and assumptions approved by us. We have made such tests of the calculations as were deemed necessary. We have also examined the data upon which the calculations were based and found it to be sufficient and reliable for our purposes and consistent with WorkSafeBC's financial statements.

The 2007 liabilities shown below reflect a revision to the mortality tables for injured workers receiving disability pensions to recognize continuing improvements in mortality. The effect of this revision is to increase the 2007 liabilities by $148 million.

The liabilities under Pension Awards, Capitalized Values are for pensions in payment, and include the effect of cost-of-living increases granted effective January 1, 2008. Apart from the mortality assumptions for injured workers in receipt of disability pensions, these liabilities have been computed using the same mortality and other assumptions used for the valuation as at December 31, 2006. A net interest rate of 4.5% was used to discount pensions. This rate makes implicit provision for the future indexing of pensions on the assumption that investment earnings on WorkSafeBC's assets will exceed increases in the Consumer Price Index (CPI) by 3.5% per year, over the long term, and that indexing will be provided at CPI minus 1%.

The Provision for Unfinalled Claims represents the liabilities for future claims costs in respect of injuries which occurred during 2007 and prior years, including future pensions other than those already in payment, and future claim administration expenses. It is based on projections of future claim payments and awards using ratios developed from WorkSafeBC's claims experience, average benefit rates, the net interest rate above and, where applicable, the mortality and other assumptions used for computing pension liabilities. The methods used in calculating these liabilities were substantially the same as those employed in the previous valuation as at December 31, 2006.

In our opinion, the assumptions made are appropriate, the methods employed are consistent with sound actuarial principles, this valuation conforms with accepted actuarial practice, and the resulting amounts set out below make reasonable provision, as at December 31, 2007, for the future benefit expenditures of WorkSafeBC in respect of injuries to December 31, 2007.

($,000's)

	Pension Awards, Capitalized Values	Provision for Unfinalled Claims	Total
Benefit Liabilities:			
Short-term Disability	—	285,872	285,872
Long-term Disability	3,505,101	2,168,104	5,673,205
Survivor Benefits	729,943	75,224	805,167
Health Care	—	1,293,636	1,293,636
Vocational Rehabilitation	—	174,864	174,864
Claim Administration	—	519,244	519,244
	4,235,044	**4,516,944**	**8,751,988**

Richard A. Border, FIA, FCIA
Actuaries with the firm of Eckler Ltd.

Wendy F. Harrison, FSA, FCIA

March 7, 2008

Ten-year summary of financial statements (smoothed or funding basis)

Schedule A — Unaudited

Balance sheet
as at December 31 ($ thousands)

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Assets										
Receivables	515,804	542,501	551,121	508,035	458,703	427,728	405,547	407,531	369,830	404,165
Portfolio investments	10,586,513	9,788,836	8,939,069	8,320,084	7,879,525	7,499,966	7,899,120	7,686,438	7,108,502	6,505,445
Property, plant, and equipment	165,054	148,559	136,068	139,686	142,180	150,906	162,037	170,501	167,365	136,019
	11,267,371	**10,479,896**	**9,626,258**	**8,967,805**	**8,480,408**	**8,078,600**	**8,466,704**	**8,264,470**	**7,645,697**	**7,045,629**
Liabilities and net fund surplus										
Payables and accruals	232,951	215,476	231,073	201,604	202,895	195,854	172,253	244,919	94,500	102,527
Benefit liabilities	8,751,988	8,765,301	8,576,574	8,412,023	8,269,650	8,029,458	7,870,287	7,308,582	6,915,660	6,542,161
Total liabilities	8,984,939	8,980,777	8,807,647	8,613,627	8,472,545	8,225,312	8,042,540	7,553,501	7,010,160	6,644,688
Reserves	1,430,000	840,000	440,000	260,000	260,000	260,000	290,000	290,000	502,000	332,000
Unappropriated balance (unfunded liability)	852,432	659,119	378,611	94,178	(252,137)	(406,712)	134,164	420,969	133,537	68,941
Net fund surplus (deficiency)	2,282,432	1,499,119	818,611	354,178	7,863	(146,712)	424,164	710,969	635,537	400,941
	11,267,371	**10,479,896**	**9,626,258**	**8,967,805**	**8,480,408**	**8,078,600**	**8,466,704**	**8,264,470**	**7,645,697**	**7,045,629**

Statement of operations and unappropriated balance (unfunded liability)
for the year ended December 31 ($ thousands)

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Income										
Premiums	1,081,896	1,267,238	1,239,777	1,175,089	1,077,383	1,019,250	916,378	872,331	880,415	918,832
Investments	1,015,157	871,457	622,118	522,072	495,937	(223,798)	585,716	785,429	858,409	701,857
	2,097,053	2,138,695	1,861,895	1,697,161	1,573,320	795,452	1,502,094	1,657,760	1,738,824	1,620,689
Expenses										
Claim costs:										
Short-term disability	252,717	217,624	209,774	205,206	199,508	253,019	308,329	338,276	341,832	298,832
Long-term disability	294,622	376,384	504,081	459,094	691,555	738,273	742,605	653,882	524,182	428,029
Survivor benefits	65,425	58,781	87,844	70,996	76,370	85,885	69,463	55,977	43,665	58,036
Health care	273,111	258,307	281,873	299,763	170,345	237,623	221,349	230,031	264,187	245,523
Vocational rehabilitation	35,497	3,627	1,550	15,544	34,492	130,490	117,330	106,037	77,839	66,929
Claim administration	195,369	209,870	180,936	165,262	191,662	178,985	189,618	135,898	—	—
Extraordinary adjustments to revalue liabilities[a]	36,514	185,269	—	—	(75,546)	(414,674)	—	(75,357)	—	—
	1,153,255	1,309,862	1,266,058	1,215,865	1,288,386	1,209,601	1,648,694	1,444,744	1,251,705	1,097,349
Operating and prevention costs										
Operating	296,998	283,778	258,983	256,780	257,411	278,134	250,775	227,768	205,104	194,037
Prevention	56,362	47,546	41,849	44,006	38,452	40,418	44,067	45,714	47,419	42,626
Less: Claim administration payments	(192,875)	(182,999)	(169,428)	(165,805)	(165,504)	(161,825)	(154,637)	(135,898)	—	—
	160,485	148,325	131,404	134,981	130,359	156,727	140,205	137,584	252,523	236,663
	1,313,740	1,458,187	1,397,462	1,350,846	1,418,745	1,366,328	1,788,899	1,582,328	1,504,228	1,334,012
Surplus (deficiency) from operations	783,313	680,508	464,433	346,315	154,575	(570,876)	(286,805)	75,432	234,596	286,677
Unappropriated balance (unfunded liability) — January 1	659,119	378,611	94,178	(252,137)	(406,712)	134,164	420,969	133,537	68,941	44,264
	1,442,432	1,059,119	558,611	94,178	(252,137)	(436,712)	134,164	208,969	303,537	330,941
Appropriation to Future Claim Administration Reserve	—	—	—	—	—	—	—	212,000	—	(212,000)
Appropriation to Latent Occupational Disease Reserve	—	—	—	—	—	—	—	—	(150,000)	(50,000)
Appropriation to Earthquake Disaster Reserve	—	—	—	—	—	—	—	—	(20,000)	—
Appropriation to Research Reserve	—	—	(30,000)	—	—	30,000	—	—	—	—
Appropriation to Capital Adequacy Reserve	(590,000)	(150,000)	(150,000)	—	—	—	—	—	—	—
Appropriation to General Reserve	—	(250,000)	—	—	—	—	—	—	—	—
Unappropriated balance (unfunded liability) — December 31	**852,432**	**659,119**	**378,611**	**94,178**	**(252,137)**	**(406,712)**	**134,164**	**420,969**	**133,537**	**68,941**

Note: *The above amounts have been restated reflecting the retroactive effects of changes in accounting policies.*

a The extraordinary adjustments to revalue liabilities for 2007 relate to an adjustment of a non-recurring expense in 2006 stem ming from a Supreme Court decision on benefit eligibility (see footnotes on page 83), and to a revision of mortality assumptions. The extraordinary adjustments fo r 2000–2003 relate to the following items: Bill 37 in 2003, and Bill 49 and mortality assumption changes in 2002.

Supplementary financial information ($ thousands)	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Property, plant, and equipment expenditures	45,893	50,085	40,329	26,599	19,548	18,050	25,583	35,225	51,555	40,082
Special reserves costs (included in claim costs)	91,222	94,455	101,215	112,060	154,263	114,234	120,774	98,946	92,443	81,319
Claim costs:										
Current year's injuries	1,039,381	972,291	932,334	893,825	841,047	933,688	990,697	968,515	850,988	831,110
Prior years' injuries	77,360	152,302	333,724	322,040	522,885	690,587	657,997	476,229	400,717	266,239
Non-recurring costs	36,514	185,269	—	—	(75,546)	(414,674)	—	—	—	—
	1,153,255	1,309,862	1,266,058	1,215,865	1,288,386	1,209,601	1,648,694	1,444,744	1,251,705	1,097,349
Claim costs:										
Payments	1,166,568	1,121,135	1,101,507	1,073,492	1,048,195	1,050,430	1,086,991	1,051,822	878,206	813,048
Change in benefit liabilities	(13,313)	188,727	164,551	142,373	240,191	159,171	561,703	392,922	373,499	284,301
	1,153,255	1,309,862	1,266,058	1,215,865	1,288,386	1,209,601	1,648,694	1,444,744	1,251,705	1,097,349
Statistics										
Claims first reported[a]	173,538	172,874	164,285	156,770	152,075	156,780	169,493	181,631	175,781	177,224
Claims accepted[b]	135,453	131,118	127,811	121,440	120,470	119,727	130,323	140,020	136,741	144,380
Claims disallowed[c]	11,525	12,097	10,634	9,432	9,031	9,609	10,753	11,211	9,724	8,139
Claims rejected[d]	1,943	2,084	1,967	1,768	1,591	1,798	1,728	2,144	1,889	1,884
Claims disallowed as a proportion of claims reported (%)[e]	6.6%	7.0%	6.5%	6.0%	5.9%	6.1%	6.3%	6.2%	5.5%	4.6%
Injury rate (number of short-term disability claims per 100 person-years of employment)	3.07	3.12	3.09	3.06	3.05	3.24	3.64	3.87	4.05	4.24
Short-term duration of claims (days paid per claim)[f]										
— in injury year	26.6	25.9	26.3	26.9	26.5	26.2	26.8	26.2	26.5	25.9
— total of all years	46.3	45.4	47.3	48.1	46.7	47.2	49.4	49.6	51.5	46.8
Prevention inspection reports issued[g]	29,893	25,904	20,249	15,780	16,162	21,787	28,475	30,992	34,264	31,334
Prevention worksite activity hours[h]	251,392	218,069	205,764	202,125	223,321	273,149	285,718	277,859	263,349	276,268
Employers registered	197,190	188,164	184,239	179,257	173,008	171,583	169,650	166,501	164,963	159,036
Average premium rate ($)[i]										
— published rate										
base rate	1.69	1.90	1.97	2.06	2.05	2.03	2.02	2.31	—	—
surplus abatement, transition capping, and experience rating imbalance	(0.07)	(0.07)	(0.11)	(0.15)	(0.13)	(0.13)	(0.23)	(0.40)	—	—
collection rate	1.62	1.83	1.86	1.91	1.92	1.90	1.79	1.91	—	—
— actual final collection rate	1.53[j]	1.89	1.99	1.99	1.94	1.88	1.78	1.73	1.88	2.01
Investment return of portfolio (%)										
— total return (market yield)	4.4	11.6	12.5	10.3	13.4	(2.4)	(0.9)	5.1	9.8	11.0
— accounting return (yield on average value of portfolio)	10.2	9.4	7.2	6.4	6.4	(2.8)	7.5	10.6	12.6	11.3
— real return (yield in excess of inflation)[k]	7.8	8.5	4.6	4.1	4.8	(6.0)	5.6	7.8	10.3	10.3
Percent funded (ratio of assets to total liabilities) (%)	125	117	109	104	100	98	105	109	109	106

Note: *Refinements in measurement approach have resulted in minor changes to previously reported figures in some cases. The above amounts have been restated reflecting the retroactive effects of changes in accounting policies.*

a Claims are not necessarily disallowed, rejected, or accepted in the year in which they are reported. The counts of reported claims in this table have been revised from those that appeared in the 2006 annual report: the claim consolidation process results in some duplicate claim numbers from past years being eliminated.

b Claims accepted include claims accepted for health-care-only benefits.

c Disallowed claims are those that fall within the scope of the *Workers Compensation Act* but are not payable because they are not work-related.

d Rejected claims are those that do not fall within the scope of the Act: claims from workers employed in industries not covered under the Act, claims from self-employed workers without optional protection, accounts from physicians submitted in error to WorkSafeBC.

e Reported claims that are not accepted, disallowed, or rejected are either suspended claims or phantom claims. Suspended claims are those where the claimant fails to respond to a request for information from the adjudicator, or withdraws the claim. Phantom claims are accident reports that are not claims for benefits.

f Duration numbers for all 10 years now exclude days paid as vocational rehabilitation days. The durations now include only short-term disability days.

g These figures represent the number of inspection reports issued by prevention officers, and include both provincial inspections and federal WHMIS inspections. Inspection reports represent either new or follow-up prevention activity; most reports are the result of a worksite visit. Some historical figures have been restated.

h Prevention activity hours include both Worker and Employer Services and Investigations officer time and represent the number of hours spent on inspections, education, consultations, investigations, and other industry and worker services combined. Prevention activity hours include travel time. Some historical figures have been restated.

i The published base rate is the rate announced at the time the assessment rates are set. The published collection rate consists of the published base rate reduced by three elements: the pre-2000 subclass surplus abatement; transition capping of rate increases from the old to new classification structure; and an allowance for the imbalance in the experience rating program. The transition capping element has largely disappeared since 2005. The actual final collection rate differs from the published collection rate due to changes in payroll distribution by industries over time and refinement of estimates. The 2007 actual final collection rate includes an $86-million surplus rebate to a small number of rate groups with excess surplus positions. The 2007 actual final collection rate, excluding the $86-million surplus rebate, is $1.66.

j The final collection of $1.53 reflects the special $86-million surplus rebate in 2007 to rate groups in excess surplus positions. Excluding this surplus rebate, the final collection rate was $1.66 per $100 of assessable payroll.

k Inflation is the change in the all-Canada CPI from the preceding October to the current October value, reflecting the indexation of injured worker benefits.

Spreading our

WorkSafeBC's efforts go beyond the workplace. We recognize that to effect societal change and have a lasting impact on safety culture, we need to reach the general public as well.

Our presence in the public realm grows each year. The most visible example of our community involvement is our participation in parades across the Greater Vancouver area. In 2007, we joined eight parades, delivering our health and safety message to more than a million people.

Raise Your Hand is a different kind of community forum. The focal point of this public awareness campaign, aimed at young workers and launched in 2007, is an interactive web site at **raiseyourhand.com**. The site invites young workers to share stories about their health and safety experiences in the workplace, speak up about their concerns, and ask questions about their own health and safety.

The site also offers industry-specific information and reinforces the right to refuse unsafe work. WorkSafeBC facilitates the site, but otherwise allows youth to share and learn from their peers without our intervention. The messages are often powerful, and strike emotional chords that resonate with others. A blog from injured young worker Nick Perry is a particularly popular draw.

Our safety signage campaign, at various road construction [illegible] emotional engagement [illegible] societal views about safety culture. [illegible] partnered with several construction companies to erect signs on some of the province's most frequently

...ction is underway,
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The crux of the campaign is the placement of near
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...

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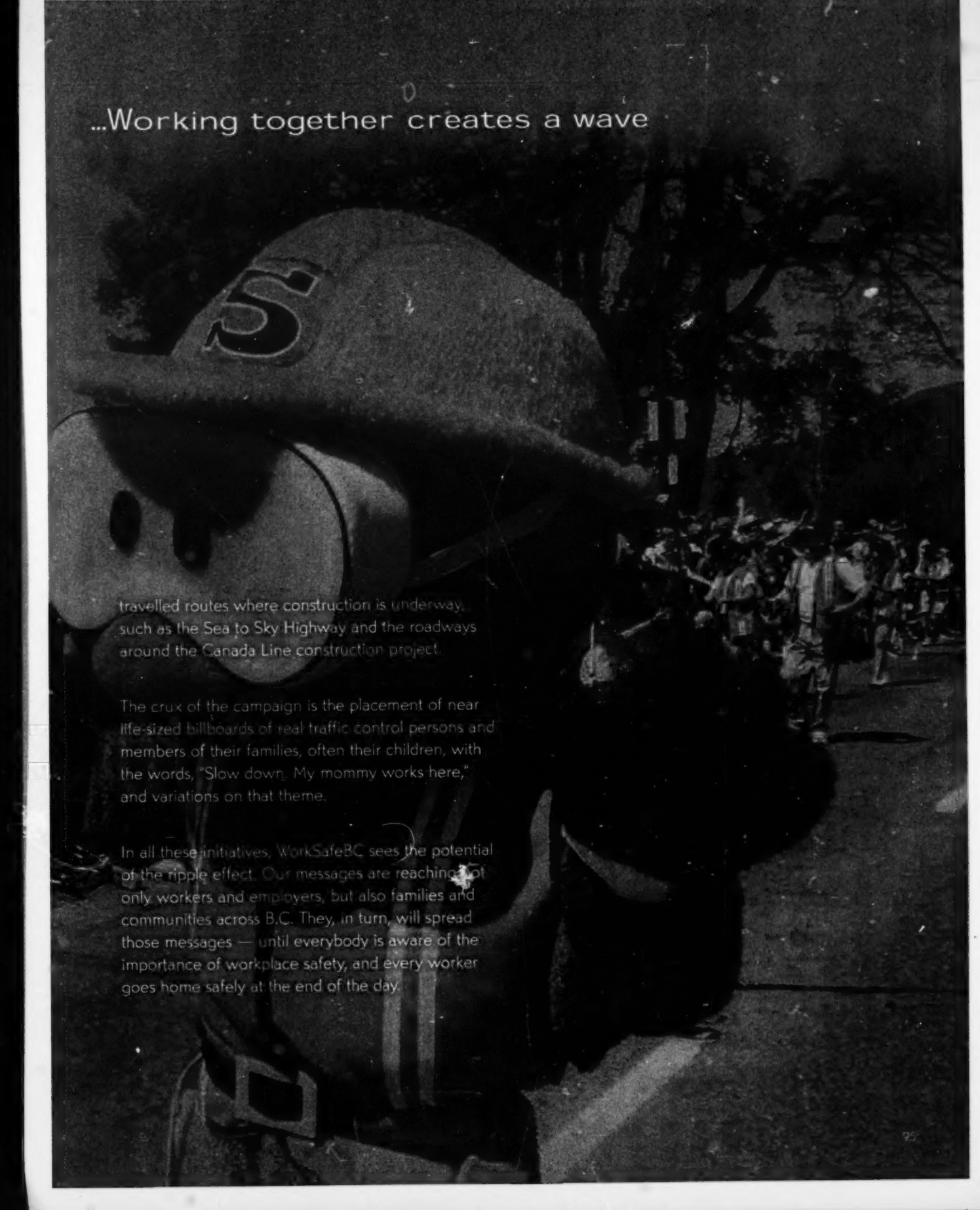
Our safety signage campaign, at various road construction projects around the province, also uses emotional engagement as a means of changing societal views about safety culture. In 2007, we partnered with several construction companies to erect signs on some of the province's most frequently

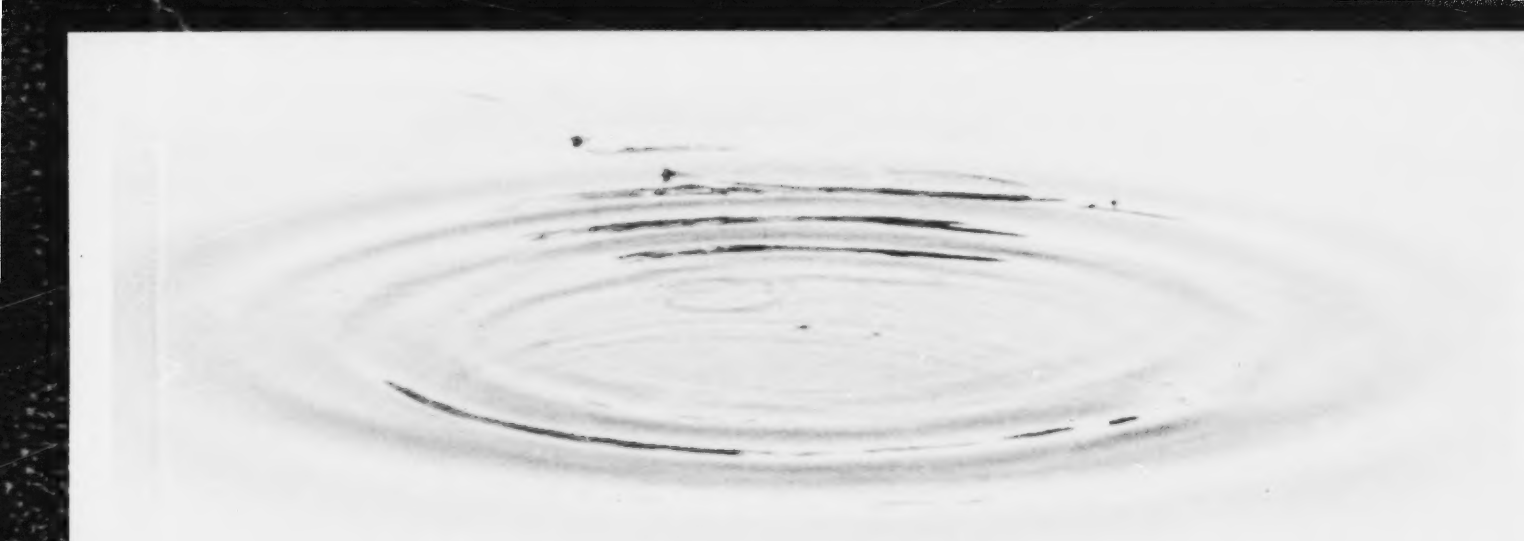
...Working together creates a wave



travelled routes where construction is underway, such as the Sea to Sky Highway and the roadways around the Canada Line construction project.

The crux of the campaign is the placement of near life-sized billboards of real traffic control persons and members of their families, often their children, with the words, "Slow down. My mommy works here," and variations on that theme.

In all these initiatives, WorkSafeBC sees the potential of the ripple effect. Our messages are reaching not only workers and employers, but also families and communities across B.C. They, in turn, will spread those messages — until everybody is aware of the importance of workplace safety, and every worker goes home safely at the end of the day.



Appendices

Appendix A: Linking Costs with Goals and Strategies

In developing the operating budget each year, the Board of Directors and Senior Executive Committee seek to achieve an optimal balance of funding in support of WorkSafeBC's strategic goals. However, because WorkSafeBC's goals are extremely broad and supported by a number of programs, initiatives, and responsibilities, shared among various departments and divisions across the organization, it is difficult to fully segment expenditures according to each individual goal (or its associated objectives).

In recent years, WorkSafeBC has become an increasingly integrated, matrix-based organization where lines of business are often interconnected and most programs and initiatives relate to more than one strategic goal. As such, allocating budget dollars by goal or function could be misleading.

Launching a new prevention initiative, for example, may contribute to WorkSafeBC's goal of improving occupational health and safety in the workplace, but it also contributes to WorkSafeBC's goal of maintaining financial sustainability and stability, and influences other goals as well. Further, the same initiative will likely involve significant contributions from more than one division.

It is possible to break down WorkSafeBC's annual expenditures by general business activities, which are closely associated with groups of strategic goals (as outlined in the table on the next page), but it is important to note that such categorization is not exhaustive. These areas of expenditure are accompanied by a ratio, or contextual measure, to help put WorkSafeBC's expenditures in perspective. These ratios are being refined and will be further developed in future annual reports and service plans.

The relationship between costs and performance outcomes

Although the areas of expenditure on the next page are linked with groups of strategic goals, changes in costs are not always directly or immediately related to changes in outcomes. An increasing injury rate, for example, may trigger an increase in expenditures to prevent injuries. Over time, as the effects of those expenditures bear results, performance may improve, but in the short run, costs may rise while apparent outcomes are falling. In terms of claim administration, reducing administrative expenditures by too much may increase claim duration and delay return to work, thus increasing the overall cost to the system. Such examples illustrate the limitations of the relationships outlined in the following table.

Area of expenditure	Strategic goals most directly influenced	Context
Prevention — $56 million or 4.3 percent of total costs in 2007	**Goal #1:** Foster the improvement of occupational health and safety in workplaces **Goal #4:** Maintain financial sustainability and stability	Based on 2 million full-time equivalent work years and an average of 1,750 hours of paid work in a year, prevention expenditures account for $0.02 per paid hour worked in B.C. in 2007 ($0.01 in 2006)
Claim costs — $960 million or 73.1 percent of total costs in 2007	Claim costs are not expended to achieve a specific strategic goal, but are part of WorkSafeBC's legislated mandate	Claim costs accounted for approximately $0.26 per paid hour worked in B.C. in 2007 ($0.31 in 2006)
Customer service and infrastructure — $180 million or 13.7 percent of total costs in 2007	**Goal # 2:** Improve service to stakeholders a) Improve satisfaction, accessibility, and public confidence b) Improve adjudicative decision making throughout the divisions, ensuring consistency with the legislation **Goal # 3:** Improve cost-effectiveness and accountability of the services we deliver **Goal #4:** Maintain financial sustainability and stability	Customer service costs represented about $0.05 per paid hour worked in B.C. in 2007 ($0.05 in 2006)
Corporate services (financial management, policy development, governance, corporate services, etc.) — $79 million or 6 percent of total costs in 2007	**Goal # 2:** Improve service to stakeholders a) Improve satisfaction, accessibility, and public confidence b) Improve adjudicative decision making throughout the divisions, ensuring consistency with the legislation **Goal # 3:** Improve cost-effectiveness and accountability of the services we deliver **Goal #4:** Maintain financial sustainability and stability	Corporate service costs represented about $0.02 per paid hour worked in B.C. in 2007 ($0.02 in 2006)
Review Division, external appeals, and workers' and employers' adviser services — $38 million or 2.9 percent of total costs in 2007	**Goal # 2**: Improve service to stakeholders a) Improve satisfaction, accessibility, and public confidence b) Improve adjudicative decision making throughout the divisions, ensuring consistency with the legislation **Goal # 3:** Improve cost-effectiveness and accountability of the services we deliver	External service costs represented about $0.01 per paid hour worked in B.C. in 2007 ($0.01 in 2006) Workers and employers benefit from the advisory services provided by the Ministry of Labour and Citizens' Services and the appeal services offered by the Workers' Compensation Appeal Tribunal (both services are funded by WorkSafeBC) — either directly or through the education, outreach, and dialogue they provide. The value of these services, therefore, extends well beyond the direct number of cases served to affect virtually all claims in the system. Costs associated with the external appeals and adviser systems were about $90 per claim file handled by the workers' compensation system in 2007 ($87 in 2006). Costs associated with the internal review process were about $37 per claim file handled in 2007 ($36 in 2006).

Appendix B: Comparing Results with Other Jurisdictions

Making direct comparisons between WorkSafeBC's performance results and the results from other Canadian workers' compensation organizations is difficult, largely due to the differing legal requirements, policies, and operating issues within each jurisdiction.

To help overcome this challenge, the Association of Workers' Compensation Boards of Canada (AWCBC) compiles a set of standardized financial and statistical indicators using data collected from all Canadian jurisdictions, including WorkSafeBC. Most of these indicators are not directly comparable with the 11 key performance indicators used by WorkSafeBC; however, in some cases it is possible to provide approximate comparisons of performance. All comparisons must be made using 2006 data, which is the most current information available at the time of publication.

Key objective #1:
Reduce the provincial injury rate

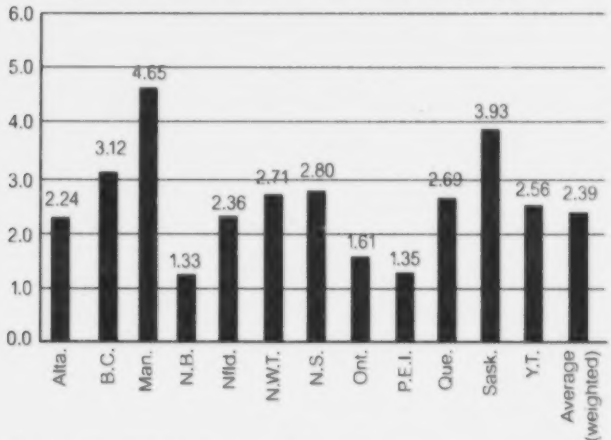
2007 target: 3.06 (or less) injuries per 100 person-years of employment

2007 result: 3.07 injuries per 100 person-years of employment (see page 27)

2008–2010 targets: 3.04 or less, 3.00 or less, 3.00 or less

Related comparison: The AWCBC publishes an annual comparison of injury frequency using a standardized calculation. Injury frequency is not directly comparable between provinces because injury rates are influenced by the mix of industries present in each jurisdiction. The following chart reflects the relative injury frequency for all provinces as published in February 2008 (based on 2006 source data).

Injury frequency
(per 100 workers of assessable employers)



Source: AWCBC Key Statistical Measures 2006, www.awcbc.org/common/assets/ksms/2006ksms.pdf

Key objective #2:
Reduce the average short-term claim duration

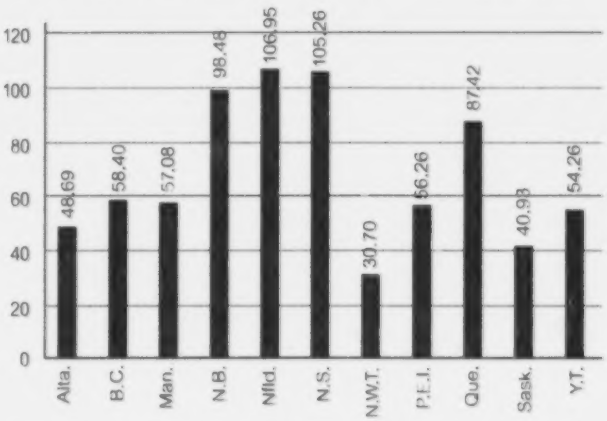
2007 target: 45.4 days

2007 result: 46.3 (see page 30)

2008–2010 targets: 46.3, 45.4, 44.4

Related comparison: The AWCBC publishes an annual comparison of claim duration using a standardized calculation. Claim duration measured by the AWCBC is not the same as claim duration measured by WorkSafeBC. For example, the AWCBC measure includes wage-loss benefits paid to workers in vocational rehabilitation while WorkSafeBC's measure does not, and the AWCBC measure expresses duration in calendar days whereas WorkSafeBC's measure expresses duration in workdays. In addition, the AWCBC measure is not directly comparable between jurisdictions, as the duration of disability is influenced by the mix of industries and economic factors in each province. The following chart reflects the average composite claim duration in calendar days for Canadian provinces as published in February 2008 (based on 2006 source data).

Average composite duration of claims (in days)



Source: AWCBC Key Statistical Measures 2006, www.awcbc.org/common/assets/ksms/2006ksms.pdf

(Data not available for Ontario)

Key objective #3:
Improve return-to-work outcomes for workers in vocational rehabilitation

Related comparison: There is no comparable data available.

Key objective #4:

Improve timeliness of initial short-term disability payments

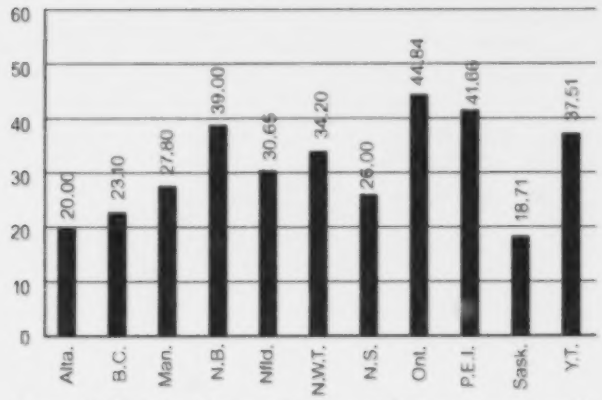
2007 target: 17.5 days

2007 result: 18.4 days (see page 33)

2008–2010 targets: 18.0 days, 17.0 days, 17.0 days

Related comparison: The AWCBC publishes an annual comparison of timeliness of initial short-term disability payments using a standardized calculation that is slightly different from WorkSafeBC's method of calculation. The chart below reflects the average calendar days from date of injury to date of first payment as published in February 2008 (based on 2006 source data).

Average calendar days from injury to first payment issued



Source: AWCBC Key Statistical Measures 2006, www.awcbc.org/common/assets/ksms/2006ksms.pdf

(Data not available for Quebec)

Key objective #5:

Improve injured workers' rating of overall experience

Related comparison: There is no comparable data available.

Key objective #6:

Improve employers' rating of overall experience

Related comparison: There is no comparable data available.

Key objective #7: Raise public confidence

2007 target: 82 percent

2007 result: 82 percent (see page 38)

2008–2010 targets: 82 percent, 83 percent, 84 percent

Related comparison: There is no comparable data available.

Key objective #8:

Achieve a funding level reflecting 100 percent of the target Capital Adequacy Reserve

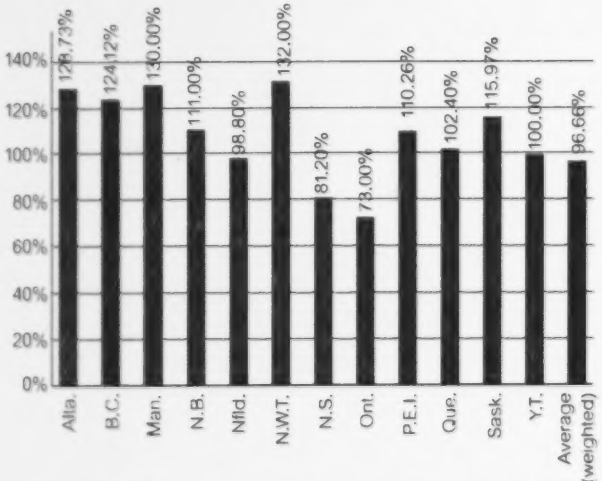
2007 target: n/a (this performance indicator was established in 2007)

2007 result: 34 percent (see page 39)

2008–2010 targets: 50 percent, 61 percent, 68 percent

Related comparison: In 2007, WorkSafeBC modified its funding objective, which now includes a target Capital Adequacy Reserve calculated on the basis of insurance industry regulatory standards. For purposes of comparison with other provinces, the most comparable metric remains the funded ratio, which the AWCBC calculates for each Canadian workers' compensation system as total assets divided by total liabilities plus reserves. The following chart shows the average funded level of each provincial workers' compensation system, published in February 2008, as valued on a market value basis (based on year-end 2006 data).[25]

Percentage funded (includes reserves in the assets and liabilities)



Source: AWCBC Key Statistical Measures 2006, www.awcbc.org/common/assets/ksms/2006ksms.pdf

Key objective #9

Attain an aggregate premium rate between $1.25 and $2.25 per $100 of assessable payroll

2007 target: $1.67

2007 result: $1.53 (net) (see page 43)

2008–2010 targets: $1.55, $1.49, $1.44

Related comparison: Average premium rates for other jurisdictions in 2007, based on published reports and announced projections, were $1.43 in Alberta, $2.26 in Ontario, and $2.24 in Quebec. The following table lists average premium rates in B.C. and these jurisdictions over the past 10 years.

Province	Ten-year average	Standard deviation	Standard deviation as percent of average
B.C.	**1.86**	**0.14**	**8%**
Alberta	1.53	0.31	20%
Ontario	2.27	0.14	6%
Quebec	2.16	0.21	10%

Source: Provincial workers' compensation annual reports

Key objective #10:

Control administration costs (per $100 of assessable payroll)

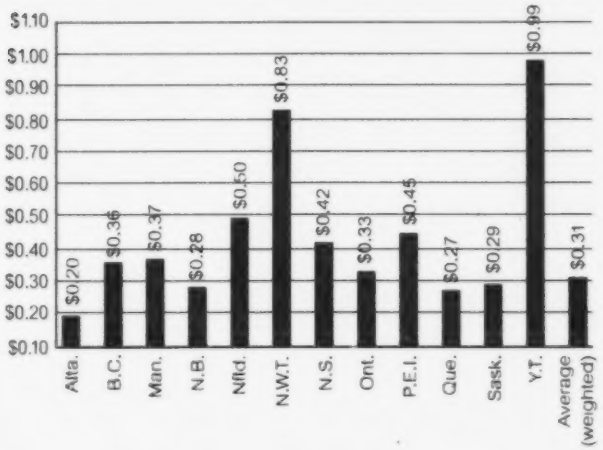
2007 target: $0.35

2007 result: $0.33 (see page 45)

2008–2010 targets: $0.34, $0.32, $0.32

Related comparison: The AWCBC calculates administration costs per $100 of assessable employer payroll according to a standardized formula. The following chart shows the administration costs per $100 of assessable employer payroll for each provincial jurisdiction as published in February 2008 (based on year-end 2006 data).

Administration costs per $100 of assessable payroll



Source: AWCBC Key Statistical Measures 2006, www.awcbc.org/common/assets/ksms/2006indicatorratios.pdf

The above chart shows WorkSafeBC's 2006 results based on estimated assessable payroll figures and the organization's previous method to calculate administration costs. The $0.36 result has now been updated to $0.37 per $100 of assessable payroll to reflect the actual payroll figures for the year.

In order to better compare its results with other jurisdictions, in 2007 WorkSafeBC revised its calculation method.[18] Under the new method, B.C.'s 2006 administration costs were $0.34 per $100 of assessable payroll (see key objective/performance indicator #10, page 45) and the average for all jurisdictions was $0.30. At the time of printing, B.C.'s result using the revised method had not yet been updated in the AWCBC key statistical measures.

Key objective #11:

Improve decision making throughout WorkSafeBC, ensuring consistency with legislation and policy

Related comparison: There is no comparable data available.

Appendix C: Operating Environment

WorkSafeBC operates in a complex and changing environment, in which both local events and global trends can have a ripple effect. The number of identified risks to the health and safety of workers and to the operations of workers' compensation insurers continues to increase. Defining these risks and designing strategies to mitigate them requires ongoing monitoring and assessment. WorkSafeBC's Board of Directors and Senior Executive Committee have placed a high priority on thorough annual risk management, continual environmental scanning, and rigorous business continuity planning.

The following section highlights some of the major risk factors that WorkSafeBC faced in 2007 and will continue to face over the next three years.

External factors

The economy and labour force

Economic expansion continued in 2007, with important consequences for the province and WorkSafeBC. According to Statistics Canada, B.C.'s unemployment rate fell to 4.2 percent in November 2007 and employment reached 2.3 million workers — an increase of 3.2 percent over 2006. On a seasonally adjusted basis, two-thirds of British Columbia's working-age population participated in the labour force, which is the highest participation rate on record. Job growth in employment was greater among women, with growth in full-time employment among women outpacing that for men

Even if the mix of industry, age, and gender in the workforce remains the same, increases in the labour force will increase the injury rate unless fewer workers are injured. If injury rates in growing sectors remain constant, more employment means more potential injuries, and greater human and financial costs. While the potential financial costs to WorkSafeBC are offset by increased income from premiums, there is no offset for the human toll of workplace injury on individuals and their families.

The higher rate of employment reflects the higher demand for labour. Women, youth, older workers, and those with disabilities or other barriers to their employment are finding opportunities; workers with injuries are more often accommodated and returned to employment when the demand for labour is high.

Where the demand for labour or specific skills cannot be met by domestic supply, immigration and the use of temporary foreign workers will increase. The number of temporary foreign workers admitted to Canada to work in B.C. in 2006 (the most recent data available) — 25,000 — was nearly double the number who entered in 1997. Citizenship and Immigration Canada estimates that the total number of foreign temporary workers in B.C. exceeded 36,000 as of December 1, 2006. In addition, demand for seasonal agricultural workers from Mexico is estimated to rise to 2,600 in 2008.

These trends in the labour force mean there are many B.C. workers who are new to the workforce or at least to B.C. workplaces. As a result, these workers may be exposed to risks they have never experienced or do not fully understand. The need for effective orientation, supervision, and training for workers and employers is clearly growing, and will likely continue to grow in times of labour and skill shortages, and as a result of an aging population.

In addition to the composition of the workforce, other economic factors may have an effect on workers' compensation issues in the near future — housing statistics and the demand for energy, for example.

Housing starts in the U.S. have traditionally driven the demand for B.C. lumber. Housing starts have fallen in the U.S. along with house prices in the wake of the subprime mortgage crisis. A stronger Canadian dollar has added to the cost of B.C. lumber, further moderating demand in the forestry sector. The stronger dollar has also increased the price of B.C. produce and manufactured goods in world markets. These impacts were beginning to be felt in late 2007 and are likely to continue through 2008. Demand for energy, however, is likely to continue to grow. These trends are likely to impact employment and injury patterns. For example, lower demand for forest products may account in part for fewer injuries and fatalities in the forestry sector.

To mitigate the potential risk of increased injuries resulting from these emerging trends, WorkSafeBC is increasing its vigilance with regard to worker orientation and training. As well, WorkSafeBC is collaborating with other public and private organizations, such as Community Against Preventable Injuries[26] — a province-wide, multi-partner social marketing and education initiative — to change societal attitudes and behaviour toward safety, both on and off the job. By reinforcing the safety message through this broad-based partnership, WorkSafeBC strives to keep safety top of mind.

Market volatility

Most claims for workers' compensation are for short-duration wage loss. However, each year there is a small portion of claims from workers who have been seriously injured and will require financial assistance and medical care for the rest of their lives. These claims create a permanent funding liability for workers' compensation.

To provide lifelong care to these workers and fund their claims beyond the year of their injury, WorkSafeBC invests a portion of employer premiums. The value of these assets must be managed to match the liability of all active claims, in some cases for more than 50 years.

When the market is volatile, it can impact the value of the funds invested by the workers' compensation system — creating gaps between the value of assets and liabilities. In the short term, fluctuations in market values create imbalances that can be managed without jeopardizing the system's sustainability. Prolonged periods of volatility, however, can affect the system's capacity to generate the returns it needs to meet long-term financial commitments from past claims. To guard against these effects, reserves and funding levels will continue to be a focus for WorkSafeBC's Board of Directors and senior executive members.

Injury rate and severity

After a sustained period of declining injury rates, many jurisdictions, including WorkSafeBC, are reporting flattened rates. The frequency of injury is a major driver of WorkSafeBC's costs. WorkSafeBC is therefore using its data warehouse and risk management expertise to identify sectors, industries, and firms where the injury rate is not decreasing. Industry segmentation, focus firms,[27] and inspections are some of the strategies WorkSafeBC is bringing to bear on the injury rate.

Even with a lower injury rate, the financial and human impact will remain high unless the severity of injuries decreases. Severe injuries have persisted in some sectors, yet investigations confirm that the number of serious incidents and injuries can be reduced through greater compliance with safe work procedures and attention to human factors such as fatigue. WorkSafeBC will continue to reinforce compliance through enforcement, education, and consultation.

The length of an injury-related work absence generally increases with the severity of the injury, and a long absence from the workplace can contribute to permanent disability. Therefore, WorkSafeBC's case management and vocational rehabilitation departments will continue to focus on early and safe return to work in an effort to limit worker disability. The organization will also continue working to develop a specific indicator that will track the rate of those injuries that are the most harmful to workers. This indicator will help refine the causes and sources of injury, so that education, consultation, and enforcement resources may be targeted more precisely.

Occupational and environmental diseases

There has been a significant increase in fatality claims from exposure to disease agents. This trend is due in part to greater recognition of occupational diseases, improved detection, and increased reporting. Newly emerging and expanding occupational diseases could significantly affect claim volume and costs, as well as add to WorkSafeBC's adjudicative and administrative complexity.

Past exposure to asbestos continues to debilitate workers, and research indicates that not all detected work-related asbestos diseases are reported, nor are they always attributed to work causes. Research also indicates that many other cancers may be work related. As with many long-latency diseases, until a connection between work and a particular disease is clearly established, adjudicating and accepting such claims remains a difficult, case-by-case consideration.

Both research literature and other workers' compensation jurisdictions have raised concerns about occupational diseases such as occupationally induced or aggravated asthma, multiple chemical sensitivity, and resistant forms of diseases like tuberculosis. New substances being used in workplaces, such as nanoscale particles, may have negative health effects in the long term.

Continued research will likely confirm that many other work and environmental agents are factors in disease, and this research will help to mitigate the risks of exposure in the workplace. As private disability plans and public health care systems continue to experience growing costs, and as WorkSafeBC continues to receive increased claims for occupational disease, the need to effectively attribute work-related disease becomes an urgent issue. Where possible, WorkSafeBC will inform workers and employers of the risk of work-related disease.

The emergence or recognition of an occupational disease has important implications for both WorkSafeBC's insurance and prevention mandates, including the need to develop prevention strategies to protect workers and educate employers, consider the necessity for standards or practices in industry, and collect and allocate funds to compensate workers and their families.

Capacity and access in the health care system

Continued wait times in the health care system increase the human, societal, and financial costs of work-related injury. While WorkSafeBC prefers to use the public health care system whenever possible, it also helps workers access expedited health care through private health care facilities. WorkSafeBC is collaborating with the University of British

Columbia's Centre for Health Services and Policy Research to examine recovery and return-to-work outcomes using the private system, to ensure that doing so continues to be beneficial.

Internal factors

Alignment and staffing

In 2004, WorkSafeBC restructured its operational structure to address the organization's strategic objectives of safer, healthier workplaces and improved customer service. Since that time, the increase in claim volumes and issues such as the spike in injuries and fatalities in the forestry sector in 2005 have meant realigning staff resources to meet these demands.

In addition, significant effort and key personnel have been redirected to longer-term initiatives such as the Claims Management Solutions initiative (see page 24). While CMS will create new opportunities for WorkSafeBC employees, it will also create 128 FTE redundancies in claim-related classifications over the next three years. Adjusting staffing levels to meet economic growth as well as operational needs, development of new systems, and emerging issues have continued to pose challenges for WorkSafeBC.

In 2007, WorkSafeBC increased its staff complement by 145 full-time equivalents (FTEs) over 2006 levels. Of the 2,867 employees (2,743 FTEs) who worked for WorkSafeBC, 2,717 (2,650 FTEs) worked full time, 105 (67 FTEs) worked part time, and 45 (26 FTEs) were involved in job-sharing arrangements.

Risk management, business continuity, and succession planning

WorkSafeBC's strategic framework mandates annual reviews of the risks the organization faces.

In 2007, the threat of flooding along the Fraser River and other areas of the province allowed an opportunity to refine educational materials and plans that will be useful to deal with such events in the future.

The possibility of a global pandemic and outbreaks of infectious diseases such as SARS has been accepted as a potential threat to WorkSafeBC's operations and to stakeholders. To prepare for any infectious disease outbreaks, WorkSafeBC, like every employer, has a duty to assess the risks and implement strategies to protect its workers. As a regulatory and prevention agency, WorkSafeBC also has a responsibility to inform workers and employers of their duties, rights, and obligations in the face of such threats. Through participation in international and provincial committees, WorkSafeBC seeks to bring best practices into its own planning processes and to share these with others.

Other WorkSafeBC planning processes include the documentation of systems, backup training, and succession planning, including an analysis of retirement patterns and identification of jobs that are vulnerable because they rely on the specialized knowledge or skill of one individual. WorkSafeBC is also reviewing its recruitment, retention, and post-retirement rehiring practices to address acute skill shortages for vacation coverage and other transitional contingencies.

Information technology and systems

WorkSafeBC relies on information technology to successfully fulfill its mandate. The security of personal records, reliability of data, and robustness of systems are essential to operations. Failures in security or technology pose a significant risk to WorkSafeBC and its stakeholders.

In 2007, WorkSafeBC continued to develop its infrastructure through technological initiatives such as mobile information resources for prevention officers and the complex computer systems used by the province-wide Teleclaim service (see page 104).

WorkSafeBC continues to invest in technology that will support more efficient claim management and contribute to more timely research. Research will, in turn, detect trends and improve the focus and effectiveness of prevention activities.

WorkSafeBC's Board of Directors has committed significant capital to create the Claims Management Solutions (CMS) model, which will launch in late 2008. The projected financial benefits of the new claim management program include an internal rate of return of 35 percent, a payback period of 2.7 years from the date of implementation, and a net present value of $150 million. In 2005, an independent consultant concluded that the project was sound and the goals were achievable. The consultant continues to monitor the progress of CMS and report to WorkSafeBC's Board of Directors.

The utility of the final CMS program and its acceptance by users will be critical to the success of the project. To that end, WorkSafeBC staff members are involved in the system's development and they receive regular updates on the status of the project.

Privacy and fraud safeguards

Fraud — both internal and external — and illegal or unauthorized activities represent significant risks in any insurance-based enterprise. As guardians of sensitive information, the officers of WorkSafeBC hold an important position of trust with their stakeholders.

Any threat to that trust or to the integrity of the system is taken seriously. To safeguard internal systems, there are audit trails and security mechanisms to guard against the inadvertent or intentional release of information. As well, staff members are made aware of their responsibilities.

Full reporting of payroll and injuries remains a cornerstone of our system. Each employer is required to register with WorkSafeBC, accurately report payroll, pay premiums toward workers' compensation, and ensure that all work-related injuries and serious incidents are reported in a timely manner. Workers have specific obligations as well: reporting injuries, refraining from engaging in unsafe work practices, and, if injured, engaging in rehabilitation and the return-to-work process when it's safe to do so. Audit and investigation processes are in place to ensure all parties are participating effectively in our system.

To better address threats of fraud and abuse, an internal committee is commissioning a report on the best practices of other organizations in similar industries. That report, expected in 2008, will be used to improve the methods and operations in addressing the risk of fraud.

Teleclaim

In 2007, WorkSafeBC expanded Teleclaim. This service allows injured workers to report injuries over the phone and receive personal assistance from specially trained staff who can help them with their recovery and return to work. Teleclaim is designed to meet the top service priorities identified by workers through WorkSafeBC's Voice of the Customer (VOC) program, and to streamline injury reporting, disability management services, and the processing of wage-loss payments. Teleclaim aims to eliminate much of the frustration and anxiety associated with a paper-based system and to facilitate early return-to-work planning. The service was originally introduced on Vancouver Island and by late 2007 was available throughout the province.

Voice of the Customer

Part of WorkSafeBC's vision for 2010 is to become an organization known for outstanding customer service. However, WorkSafeBC needs to understand customer needs before it can meet them. To develop this knowledge, WorkSafeBC has partnered with the market research company Synovate to develop the Voice of the Customer (VOC) program — a stakeholder feedback strategy designed to identify and prioritize the areas of service most important to workers and employers. Through surveys and focus groups, the VOC program allows WorkSafeBC to identify and measure the critical interactions that drive stakeholders' perceptions of WorkSafeBC. As a result, WorkSafeBC is better able to align its business decisions with worker and employer needs and improve service across all areas of the organization.

Senior Executive Committee

David Anderson
President and Chief Executive Officer

Steve Barnett
Vice-President of Finance and Chief Financial Officer
(effective January 1, 2008)

Ed Bates
General Counsel

Vaughan Bowser
Vice-President, Human Resources and Facilities Division

Brian Cooper
Chief Information Officer

Roberta Ellis
Vice-President, Investigations and Review, Research, Policy and Regulation Development, Corporate Communications and Planning

Sid Fattedad
Vice-President, Finance, Information Services, and Stakeholder Relations Division, and Chief Financial Officer
(retired December 31, 2007)

Diana Miles
Vice-President, Worker and Employer Services Division

Ian Munroe
Executive Director, Worker and Employer Services, Operations

Betty Pirs
Executive Director, Worker and Employer Services, Prevention

Online viewing

For an electronic copy of this report, visit our web site at WorkSafeBC.com.

Feedback

To comment on WorkSafeBC's 2007 Annual Report and 2008–2010 Service Plan, telephone Scott McCloy, Director of Communications, at 604 276-3113 or e-mail scott.mccloy@worksafebc.com.

Endnotes

1. While the information contained in this annual report reflects the organization's actual performance for the period of January 1, 2007, through to December 31, 2007, all material fiscal assumptions and policy decisions up to March 11, 2008, have been considered in the development of this publication.
2. Ten of the 11 key performance indicators in this report have been used as a group since 2003, but most have existed for much longer and can be found in WorkSafeBC annual reports going back 10 years or more.
3. Workers' Compensation in 2010 and Beyond: Strategic Plan, WorkSafeBC, September 21, 2004, www.worksafebc.com/publications/reports/annual_reports/assets/pdf/strategic_plan_2010/strat_plan_2010.pdf.
4. The provincial injury rate is calculated in accordance with the Association of Workers' Compensation Boards of Canada definition (see Appendix B, page 98). Wage-loss injuries, fatality claims (cases involving funeral expenses and/or survivor benefits), and long-term disability claims that occurred in 2007 and were first paid that year (or within the first quarter of 2008) are counted and expressed as a ratio to 100 person-years of employment. Injuries arising from, and person-years related to, deposit-class employers are excluded from this calculation.
5. A reduction in the injury rate of just 1 percent (from 3.09 to 3.06, for example) translates to approximately 600 fewer workers who suffer wage-loss injuries. That is $6.6 million less in claim costs paid, and approximately 27,000 productive work days gained to the economy.
6. If employment in a sector with a relatively high injury rate – construction, for example – grows, while employment in a lower-risk sector such as retail declines, the average injury rate could still increase, even if the injury rate remained the same or dropped in both sectors.
7. Changes in sector-specific injury rates and employment levels between 2006 and 2007, and potential impacts on the provincial injury rate in 2007, are preliminary estimates as of January 2008 that are subject to estimation error and change. These preliminary estimates take into consideration employment estimates provided by the Statistics Canada Labour Force Survey and the Statistics Canada Survey of Employment, Payroll and Hours.
8. At December 2007. This decrease of 0.05 (1.6 percent) is statistically significant at a 95 percent confidence level.
9. This does not include fatalities caused by occupational diseases or incidents during which more than one worker died.
10. December 2007, 12-month rolling
11. Employers are assigned to classification units based on their main industrial activity. Industrial activities are organized into a structure consisting of three levels: sectors, subsectors, and classification units. The classification structure comprises seven sectors, 24 subsectors, and 619 classification units.
12. To compute short-term disability (STD) duration for a given year, five components are calculated and added together, including 1) the number of days paid in the reference year for STD injuries that occurred in the reference year, divided by the number of STD injuries that occurred in the reference year, and 2) the number of days paid in the reference year for STD injuries that occurred in the year prior to the reference year, divided by the number of STD injuries that occurred in the year prior to the reference year. The third, fourth, and fifth components are computed analogously. An adjustment is made to the sum of the five components in respect to days paid in the reference year for injuries that occurred more than four years prior to the reference year. Days arising from short-term disability payments are included in the calculation; days arising from rehabilitation payments are excluded.
13. Until 2006, WorkSafeBC measured only overall service to workers, but the organization has now transitioned to the broader and more comprehensive measure of overall worker experience. As such, the scores for both overall service and overall experience were included in the 2006 report, but WorkSafeBC will report only overall experience in 2007 and beyond.
14. The result is based on a sample of 400 injured workers who were paid either wage-loss or vocational rehabilitation benefits or whose claim was disallowed between October 1 and December 31, 2007. The survey was conducted between January 15 and 21, 2008. The margin of error is +/–4.9 percent, 19 times out of 20.
15. The results are based on responses from 401 employers contacted between September 19 and October 1, 2007, and drawn from a total sample population of 3,391 employers. The margin of error was +/–4.6 percent, 19 times out of 20. The population of employers used for randomized polling includes all employers who had any claims (short-term disability, long-term disability, or health care) from June 1 to August 31, 2007. In 2006, WorkSafeBC randomly surveyed 400 employers with two or more claims (short-term and long-term disability) in the 12 months prior to the survey (i.e., from August 1, 2005 to July 31, 2006).
16. Compensation benefits are, by legislation, indexed to the increase in the consumer price index (CPI) less 1 percent. WorkSafeBC aims for investment returns at an average rate of 3.5 percent above the increase in the CPI.
17. Since WorkSafeBC's premiums are collected in arrears, the actual final collected amount resulting from the mix of industries and their relative payrolls for a given year cannot be determined until well into the following year. Therefore, the aggregate rate shown for 2006 and previous years reflects the actual final collected rate. The rate shown for 2007 and future years is estimated based on the anticipated mix of industries, assessable payrolls, known adjustments, and anticipated impacts of various strategies and initiatives. For more information, refer to "Supplementary information," page 44.
18. During 2007, to enhance the comparability of reported administration costs with other workers' compensation boards in Canada, WorkSafeBC reviewed its calculation of administration costs. As a result, WorkSafeBC determined that a pro-rata share of the overhead departments' operating costs related to excluded services (prevention, review, and legal) should be excluded from the calculation of administration costs per the Association of Workers' Compensation Boards of Canada's (AWCBC) definition. To reflect the effect of the change, the administration costs per $100 of assessable payroll have been restated for all the years presented.
19. In accordance with the standard AWCBC method of calculation, WorkSafeBC does not include administration costs associated with prevention, treasury/investments, legal and recoveries, third-party recoveries, grants and awards, reviews and appeals, workers' and employers' advisers, sessional physicians, external medical service providers, and costs related to self-insured employers. WorkSafeBC also excludes non-recurring one-time costs in order to keep results comparable with previous years. The largest material cost of these items is prevention costs, for which the direct costs were $0.08 per $100 of assessable payroll in 2007.
20. Investment income was higher than plan despite weaker financial markets than anticipated. This was due to higher than planned interest and dividend income distributions and crystallization of market gains due to portfolio rebalancing decisions made during 2007 (see "Investment income," pages 57 to 59, for details).
21. The employment growth statistic is based on person-years of WorkSafeBC-covered employment for rateable classes of employers, which is derived from Statistics Canada data.
22. These costs include wage-loss benefits, survivor benefits, health care expenses, and vocational rehabilitation costs, as well as a provision for the administration cost of future claims (required to adjudicate and process future payments). These liabilities are actuarially calculated by applying a real discount rate of 3.5 percent (net of CPI growth) to produce a present value of estimated future benefit payments. The liability is thus increased each year by 3.5 percent plus CPI growth, and so in 2007 the liabilities of WorkSafeBC increased by 3.5 percent plus 2.4 percent, for a total of 5.9 percent (before other adjustments).
23. The audits are performed in accordance with Section 5970 of the Canadian Institute of Chartered Accountants' (CICA) Handbook.
24. Simulations are generated using Monte Carlo statistical techniques, which involve modelling the output of a mathematical process using random sample inputs.
25. WorkSafeBC has historically based its funded ratio calculation on total assets divided by total liabilities, without reserves. As a result, the funded ratio shown in this table differs from that shown on page 42.
26. Community Against Preventable Injuries was formerly called SafeBC.
27. WorkSafeBC's Focus Firm strategy targets firms with the highest injury rates and risks relative to other firms in the same industry. WorkSafeBC works with these firms to establish best safety practices.

Workplace health and safety is everyone's responsibility

All workers are entitled to safe and healthy work environments where hazards are properly minimized and controlled. Under the B.C. *Workers Compensation Act*, the primary responsibility for workplace health and safety rests with employers, but workers, supervisors, and other stakeholders have an important role to play as well. The key to maintaining a safe and healthy workplace lies in joint action — everyone working together to fulfill their responsibilities and mitigate the risk of injury, illness, disease, and death.

Employer responsibilities

- Provide a safe and healthy workplace.
- Ensure that workers are adequately trained.
- Keep written records of training (who, what, when).
- Establish and maintain a comprehensive occupational health and safety program, including a written health and safety policy and an incident investigation procedure.
- Support supervisors, safety coordinators, and workers in their health and safety activities.
- Take action immediately when a worker or supervisor tells you about a potentially hazardous situation.
- Initiate an immediate investigation into incidents.
- Immediately report serious incidents to WorkSafeBC.
- Provide adequate first aid facilities and services.
- Provide personal protective equipment where required.

Supervisor responsibilities

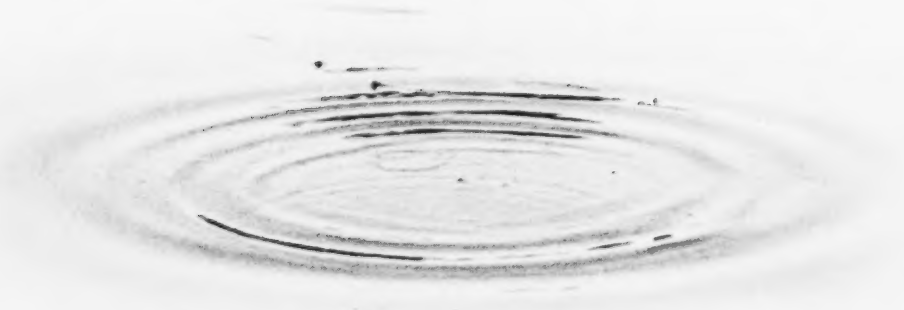
- Instruct workers in safe work procedures.
- Train workers for all tasks assigned to them, and check that their work is being done safely.
- Ensure that only authorized, adequately trained workers operate tools and equipment or use hazardous chemicals.
- Ensure that equipment and materials are properly handled, stored, and maintained.
- Enforce health and safety requirements.
- Correct unsafe acts and conditions.
- Identify workers with problems that could affect safety at the worksite. Follow up with interviews and referrals where necessary.
- Develop appropriate health and safety rules and inspect the workplace for hazards.

Worker responsibilities

- Know and follow the health and safety requirements affecting your job.
- Use all safety gear and protective clothing when and where required.
- Don't assume you can do work you've never done before. Ask your employer for training so you know how to do it safely before you begin.
- Always work safely and encourage your co-workers to do the same.
- Immediately correct unsafe conditions or report them right away to your employer.
- Immediately report any injury to a first aid attendant or supervisor.
- If you have any doubts about your safety, talk to your employer. Take the initiative — make suggestions to improve health and safety at work.

For more information

If you have questions about workplace health and safety issues, call the WorkSafeBC Prevention Line at 604 276-3100 or toll-free within B.C. at 1 888 621-SAFE (7233), or visit WorkSafeBC.com and follow the link to Safety at Work, where you'll find a variety of occupational health and safety resources that can be downloaded free of charge. You can also purchase a number of safety publications and DVDs by visiting our online web store at www.worksafebcstore.com.



WorkSafeBC

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